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ECONOMIC AFFAIRS

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ECONOMIC PLANNING

LIANG BUTING'S SIXTH 5-YEAR PLAN REPORT

SK201230 Jinan DAZHONG RIBAO in Chinese 1 May 83 pp 1-3

[Acting Governor Liang Buting's Sixth 5-Year Plan Report delivered at the First Session of the Sixth Provincial People's Congress on 19 April 1983]

[Text] Fellow deputies: The compilation of the Provincial Sixth 5-Year Plan has undergone a process of repeated discussions and multiple revisions. In the latter half of 1980, the Provincial People's Government worked out the basic outline and major targets of the plan. Owing to the all-round readjusting of the national economy, proportional relations among the major sectors of the national economy could not be fixed and the future development of various trades also could not be foreseen. We felt, therefore, that conditions for mapping out a concrete plan were not mature and we were obliged to successively work out annual plans for 1981 and 1982 in line with the draft major target. Along with the implementation of the principle of readjusting, we have discussed and largely revised the outline and targets of the original plan on two occasions. Following the approval of the Sixth National 5-Year Plan, we have again readjusted them according to the demands of the Sixth National 5-Year Plan, thus completing the compilation of the Provincial Sixth 5-Year Draft Plan. In line with the draft plan, we have put forward the 1983 plan for the national economy, which was approved at the Fifth Session of the Fifth Provincial People's Congress. We have prepared well for putting it into effect. Now, I, on behalf of the Provincial People's Government, would like to make a report of the Sixth 5-Year Plan for the national economy and social development. At the same time, I will present to you for examination the written report of the plan.

1. The Guiding Principles and Major Tasks of the Sixth 5-Year Plan

The 12th CPC Congress set forth the strategic target, emphasis, and steps for the program of realizing the four modernizations in the country, which urge us, on the premise of steadily upgrading economic returns and on the basis of the 1980 figure, to quadruple the national industrial and agricultural annual output value by the end of this century and to improve the people's material and cultural life to a well-off standard. Our province is endowed with abundant natural resources and has laid relatively better economic foundations through 30 years of efforts in construction. The province has favorable conditions for developing agriculture, industry and economic and technical exchanges

with foreign countries. In line with the history of economic development, the current situation and future trends, we have made estimations on the major fields of the economy. Results have shown that only by accurately implementing the party's line, principles, and policies, upholding the principle of seeking truth from facts, relying on the wisdom and strength of a vast number of the people, and by doing things in a down-to-earth manner can our province, on the basis of the 1980 figure of 5.24 billion yuan, quadruple the provincial annual industrial and agricultural output value by the year 2000, reaching around 21 billion yuan and showing a yearly average increase of 7.2 percent. If this target is fulfilled and if the province's gross population reaches 86 million people according to the growth rate, the province's per capita income will be over 1,200 yuan and the urban per capita consumption will score more than a 2-fold increase over the 1980 figure. To fulfill this target, we must follow the strategic steps set forth by the CPC Central Committee: in the first 10 years, we should concentrate on conducting readjustment and consolidation, conserving strength and on laying a good foundation. On this premise, efforts should be made to maintain a particular speed in scoring an increase and to double the industrial and agricultural annual output value by the end of 1990 so as to create still favorable conditions for the economic prosperity of the final 10 years.

The implementation period of the Sixth 5-Year Plan is the first step in doubling industrial and agricultural annual output value and is very important for laying a good foundation in the first 10 years. During this period, we must uphold the spirit of the 12th CPC Congress and earnestly implement the eight-characters principle of readjusting the national economy and the 10 principles for economic construction. We must adhere to the principle of "getting enough food on the one hand," and "carrying out construction on the other hand" and continue to readjust the economic structure, to improve economic systems, to concentrate on strengthening the undertakings of agriculture, energy resources, transportation, education, and sciences, to conduct technical transformations aimed at major projects, to develop the production of the chemical industry, daily consumer goods industries, and export commodities, to vigorously upgrade economic returns, and to strive to achieve a fundamental turn for the better in the financial and economic situation so as to make good preparations for the harmonious development of the proportions among the various sectors of the national economy during the period of Seventh 5-Year Plan. In line with this guiding ideology, the developing speed of the implementation period of the Sixth 5-Year Plan cannot be fast. Our arrangements are as follows: The 1985 industrial and agricultural annual output value will reach 67.5 billion yuan, a 1.51 billion yuan increase over the 1980 figure, showing a yearly average increase of 5 percent. Efforts will be made to raise the yearly average increase to 6 percent. Per capita income will be 335 yuan, showing a yearly average increase of 4.4 percent. The province's revenues will be 5.7 billion yuan, showing a yearly average increase of 5 percent. The state will assign 37 large and middle-sized construction projects to our province and the gross investment in this regard will reach 7.1 billion yuan, a 61 percent increase over the figure of the implementation period of the Fifth 5-Year Plan. The province's investment in fixed assets will reach 8.7 billion yuan, a 29.1 percent increase over the figure of the implementation period of the Fifth 5-Year Plan. Of this investment, capital construction projects will spend 3

billion yuan, 46 percent less than the figure of the implementation period of the Fifth 5-Year Plan. The projects of renewing and transforming equipment will spend 5.7 billion yuan, a 3.9-fold increase over the figure of the implementation period of the Fifth 5-Year Plan. During the implementation period of the Sixth 5-Year Plan, it is necessary to upgrade economic returns to a better extent. The plan urges us to score a 2.5 percent annual decrease in energy consumption, a 1 or 2 percent annual decrease in major raw material consumption and a 1 or 2 percent annual decrease in costs calculated in terms of comparable products of state industrial enterprises. The plan also urges us to score a 3 percent annual increase in the labor productivity of all workers, to reduce the commodity circulation annual expenses of all state commercial enterprises by 1 or 2 percent, and to stabilize the utilization rate of fixed assets at or above 80 percent.

Copies of the draft Sixth 5-Year Plan for our province's economic and social development have been distributed to all deputies. Here, I would like to report in detail on the following several important tasks.

First, actively develop agriculture.

Agriculture is the foundation of the national economy and it is of strategic importance. To develop agriculture, we must further implement the principle of "not relaxing crop cultivation while diversifying the economy," rely on policies and science, suit measures to local conditions, map out rational crop distribution plans, and unceasingly improve conditions for production. While exerting strenuous efforts to vigorously develop the production of grain, cotton and oil-bearing crops, special attention should be paid to developing the diversified economy, forestry, animal husbandry, industry, and sideline occupations and to trying all possible means to promote an all-round and sustained increase in agricultural production. Under the plan, by 1985, the total agricultural output value of the province as a whole will reach 24.8 billion yuan, an increase of 5.4 billion yuan over 1980 or an average annual growth of 5 percent. Of the total output of main farm crops, grain will reach 52 billion jin, an increase of 4.32 billion jin over 1980; cotton, 20 million dan, an increase of 9.26 million dan; peanuts, 30.6 million dan, an increase of 2.52 million dan; and flue-cured tobacco, 4 million dan, an increase of 870,000 dan. Efforts must be made to ensure the fulfillment of output targets and the stabilization of the farming acreage. Under the plan, grain fields must not be less than 70 million mu; cotton fields must be stabilized at about 18 million mu; peanuts must not exceed 10 million mu and flue-cured tobacco must be within 1.2 million mu. All localities must map out rational cultivation plans in line with this general demand. Grain producing areas, especially marketable grain bases, must concentrate their efforts on developing grain production and vigorously raise the marketable rate of grain. Four areas in the western and northern parts of Shandong, while exerting continued efforts to grasp cotton, must strive to increase grain production so as to attain self-sufficiency in grain with a small surplus by the beginning of 1984.

The development of forestry, animal husbandry, sideline occupations, and fishing must be speeded up. Under the plan, in the next 5 years, we will afforest

5 million mu, plant 1.25 billion trees around houses and along rivers, roads, and ditches and will strive to raise the rate of lands that are covered by forest from 9.2 percent in 1980 to 13.6 percent in 1985. The total output of fruits will reach 3.8 billion jin, an increase of 24.6 percent over 1980; the number of livestock slaughtered and the number of draft animals and sheep in stock will increase 20.8 percent, 12.5 percent and 15 percent respectively over 1980; the total output of meat will reach 1.16 million tons, an increase of 28.8 percent over 1980, and the total output of marine products will reach 650,000 tons, an increase of 12.1 percent over 1980.

Second, firmly grasp the development and construction of energy and communications.

In order to ease the energy shortage and the tense situation in communications, during the Sixth 5-Year Plan period, efforts must be made to strategically stress energy and communications and to speed up their development. Under the plan, we will carry out 22 large and medium-sized construction projects related to coal, petroleum, and power industries and railroads, highways and ports with an investment of 6.17 billion yuan. In the coal industry, we will concentrate efforts on the construction of three key mining areas, including Yanzhou, Zaozeng and Longkou, while speeding up the development of local coal mines. The province as a whole plans to initiate 30 pairs of coal pits with a designed capacity of 13.47 million tons. In the petroleum industry, we plan to verify additional reserves of 600 tons and complete projects with an exploitation capacity of 5 million tons. In the power industry, we plan to expand the construction of the Huangdao, Shiliquan, and Huangtai power plants, initiate the construction of the Zouxian and Longkou power plants with a total capacity of 2.1 million kilowatts. We have already completed part of these projects and put into production 1.2 million kilowatts. In railways, we plan to build five routes between Yanzhou and Shijiusuo, Pingshang and Fengshantou, Heze and Xinxian, Yidu and Yangkou, and Jiaoxian and Guzhenkou, to continue the Jiaoji double-tracking construction project, and to reconstruct the old route between Jining and Heze with a total length of 1,039.5 kilometers. In ports, we plan to build a port in Shijiusuo and expand the construction of Gingdao, Yantai, Longkou, Shidao and Fengshantou ports. Our plan also covers a group of new highway and posts and telecommunications construction and reconstruction projects. By 1985, the output of raw coal will reach 45 million tons and that of petroleum, 16.2 million tons and efforts will be made to strive for 20 million tons. Power output will reach 2.9 billion kwh. Some 2,616 kilometers of railways are open to traffic and 36,000 kilometers of highways are open to traffic. Port handling capacity will reach 5.2 million tons. Post and telecommunications will also be markedly improved.

Third, exert continued efforts to readjust the internal structure of industry.

During the Sixth 5-Year Plan period, continued efforts should be made to readjust the proportion between the light and heavy industries and between the raw materials industry and the processing industry, readjust the product mix, technical structure and the organizational structure of enterprises, reduce the production of products in excessive supply and produce more products in short supply, and resolutely shut down, suspend production, amalgamate, and

switch over to other trades all enterprises that consume too much energy, cause big waste and serious pollution, and produce products that cannot find a market. We must try out utmost to develop products that can find a ready market, increase product varieties, designs and specifications, improve product quality, upgrade outdated products and enhance their competitiveness so as to enable industrial production to keep a definite growth speed in the course of readjustment. Under the plan, by 1985, the total industrial output value of the province as a whole will reach 42.7 billion yuan, an increase of 9.7 billion yuan over 1980 or an average annual increase of 5.3 percent. Of this, light industrial output value will reach 24 billion yuan, an average increase of 7.3 percent; heavy industrial output value will reach 18.7 billion yuan, an average increase of 3 percent.

In light industry, we must continue to implement the principle of "six priorities," actively develop the production of consumer goods, stress the development of foodstuffs, textile products, and mechanical and electrical products for daily use, and increase the production of goods for export so as to satisfy the growing needs of the people and of foreign trade. Under the plan, by 1985, the total output value of the food industry will reach 7 or 7.5 billion yuan, an average annual increase of 8 to 10 percent. Some major foodstuffs such as canned food, pastries, beer, beverages, meat products, dairy products and bean products, will increase by 1 or 2 times or more than 10 times over 1980. The output value of the textile industry will reach 6.7 billion yuan, an average annual increase of 8 percent. In the next 5 years, we will add 600,000 to 800,000 cotton spindles and 52,000 woolen spindles. The production capacity and output of some major mechanical and electrical products such as bicycles, sewing machines, wristwatches, washing machines, television sets, and tape recorders, will increase by 2 fold in 1985 as compared with that of 1980.

Efforts must be made to correspondingly develop the raw materials industry, the building materials industry, and the agriculture-oriented industry so as to meet the needs of developing agriculture and light industry. Under the plan, by 1985, the total output value of steel will reach 920,000 tons, rolled steel 750,000 tons, sulphuric acid, 460,000 tons, sodium carbonate, 210,000 tons, cement, 6.5 million tons, plate glass, 2.7 million crates and plastic sheets for farm use, 30,000 tons. The output of chemical fertilizer will stand at the level of 1980. We will improve the quality of chemical fertilizer, increase the output of carbamide and compound fertilizer, reduce the total output of agricultural chemicals, and increase the output of pesticides with high efficiency and low poison. The main construction projects in the next 5 years will include the first-phase construction project of an ethylene plant with a capacity of 300,000 tons, the first-phase construction project of the Shounguang sodium carbonate plant, and the Houjiazhuang iron mine. We will initiate the construction of two medium-sized plate glass plants, reconstruct the Jinan chemical fertilizer plant to produce nitric acid and phosphatic fertilizer with an annual capacity of 150,000 tons, continue and expand the construction of two large cement plants, transform 37 small cement plants and 20 small nitrogen fertilizer plants.

Fourth, in domestic commerce, actively expand purchase and sales of commodities, and strive to keep the supply of commodities and the people's purchasing power basically balanced.

Under the plan, by 1985, the total procurement volume of commodities will stand at 24.4 billion yuan, an average annual increase of 7.6 percent, the amount of commodities available for supplies will reach 2.1 billion yuan, an average annual increase of 8 percent; and the total value of retail sales of commodities will reach 2.1 billion yuan, an average annual increase of 8.1 percent. Efforts must be made to actively develop commercial and service networks and resolve the people's difficulties in "buying and selling," "tailoring," and "repairing." In foreign trade, we must actively develop the production of export goods that have good sales in the international market and are competitive, further readjust the mix of export products, and increase the proportion of ready-made industrial goods. Under the plan, by 1985, the total procurement of export goods will be valued at 4.2 billion yuan, an average annual increase of 6.4 percent. Of this, industrial products will reach 3.3 billion yuan, 78.5 percent of the total procurement value. The total value of exports will reach \$2.1 billion, an average annual increase of 3.6 percent.

Fifth, speed up the development of education, science, culture, public health and physical culture, and sports.

Our province's educational, scientific, cultural, and public health undertakings are fairly backward. During the Sixth 5-Year Plan period, we must properly enhance the proportion of investments in this regard and speed up its development. Under the plan, by 1985, investments in this sector will reach 1.22 billion yuan, and this will account for 41 percent of the financial expenditures of that year as against the 34.27 percent in 1980, an average annual increase of 7.1 percent. This will exceed the annual growth of financial expenditures of 3.3 percent by more than 1 time.

In education, we must mobilize the enthusiasm of all quarters to adopt various measures to run schools. On the basis of developing the present universities, middle and primary schools, we must stress the reform of the structure of secondary education, actively develop vocational education, properly develop college education, popularize primary education and strive to basically eliminate illiteracy among juveniles and middle-aged people.

Under the plan, the province's 1985 student enrollment quota of higher educational institutions will surpass the 1980 figure by 46.2 percent. The number of college graduates in the implementation period of the Sixth 5-Year Plan will surpass by 300 percent the figure of the implementation period of the Fifth 5-Year Plan. The number of students in secondary vocational and technical schools will have a little increase, but the number of graduates from these schools in the period will surpass by 34 percent the figure of the implementation period of the Fifth 5-Year Plan. The 1985 number of students in evening, correspondence, radio and television broadcasting, and staff and worker universities will surpass the 1980 figure by 69 percent. Owing to carrying out in depth the family planning work, the number of school-age children will

decline year after year. In 1985 the number of students in general middle schools will remain at the 1980 level and the number of students in elementary schools will decline by 20 percent.

It is necessary to actively develop nursery education in order to lay a good foundation for elementary education. By 1985, the enrollment rate of nursery classes should reach over 80 percent and the rate of rural areas whose economic conditions permit should reach over 70 percent.

In the sphere of science and technology, it is necessary to continuously implement the principle of rendering service for the national economy. Efforts should be made to take applied and explored research as central tasks, to vigorously organize scientific and technological forces to overcome major technical difficulties, to actively popularize scientific research results, and to earnestly do a good job in learning from and drawing experience from the imported foreign advanced technology. During the implementation period of the Sixth 5-Year Plan, the province plans to assign 22 scientific research projects for overcoming existing technical difficulties and 159 specialized subjects and to emphatically popularize 69 new technologies. In fulfilling these projects, it is necessary to conduct rational division in work, to break down barriers between different areas or departments, to organize technical forces in order to make concerted efforts to overcome technical difficulties and to strive to fulfill the majority of projects by the end of 1985, to completely popularize all new technologies, and to achieve marked economic returns. It is necessary to strengthen the methods of scientific research and to vigorously establish or improve the scientific and technological centers of information, analysis and experiment, calculation, estimation, and activities. While strengthening the research in the natural sciences, it is necessary to actively develop the research in the social sciences so as to render better service for the program of building socialist material and spiritual civilizations and for the development and improvement of socialist systems.

The undertakings of culture, public health, sports, journalism, and radio and television broadcasting should score corresponding development. The plan's arrangements are that, during the implementation period of the Sixth 5-Year Plan, the province will build 430 new theaters in both urban and rural areas, over 3,400 new film projecting units, 6 new stadiums and gyms, and 21 new swimming pools, set up 10,000 new hospital beds, and will train 45,800 new specialized personnel in charge of public health work. By 1985, the province will surpass the 1980 figure of newspaper and book publication volume by 26 percent and increase the number of households across the province which own a television set from 55 percent in 1980 to 65 percent in 1985.

Sixth, continue to improve the people's livelihood in both urban and rural areas and to strictly control population growth.

During the implementation period of the Sixth 5-Year Plan, it is necessary to further upgrade the people's living standard on the basis of developing production. The demand of the plan is that, by 1985, per capita income in rural areas will reach 350 yuan, a 56 yuan increase over the 1980 figure. In

improving the wages of staff and workers, the province, according to the state's unified arrangement, raised the wages by one grade of the majority of staff and workers in the units and establishments of education, public health, sports and state organs in 1981 or 1982, and the wages of a number of the staff and workers was raised by two grades. In the latter 3 years, the province will continue to upgrade the wages of the remaining staff and workers. By conducting state worker recruitment, developing the various types of collectively-owned enterprises and by encouraging individuals to open businesses, it is necessary to continuously arrange jobs for urban jobless personnel. The province plans to make arrangements for 1.4 million people in the 5 years. By 1985, the consumption standard of the people in both urban and rural areas will be much higher than that of 1980. The volume of expensive consumer goods owned by the people, such as bicycles, sewing machines, watches, and television sets, will be doubled. It is necessary to strengthen urban construction, to do a good job in planting trees, grass, and flowers, and to further improve housing conditions and public facilities for the people in both urban and rural areas. During the implementation period of the Sixth 5-Year Plan period, the province plans to annually start urban housing construction of 5 million square meters of floor space and to complete the construction of 3.5 million square meters of floor space. In conducting rural housing projects, it is necessary to follow the demands set forth for building socialist new villages, to map out unified plans, to make rational arrangements, to adopt advanced and practical housing designs, to strictly control the occupation of farmland, to encourage peasants to build houses with more than one floor, and to make all-out efforts to enable much more commune members to move into new houses. Great attention should be paid to the environmental protection work. It is necessary to adopt practical measures for effectively controlling pollution so as to safeguard natural resources and the people's health. All pollution cases that have seriously endangered the people's health should be dealt with by imposing with a limit deadline on them.

During the Sixth 5-Year Plan period, we should attach importance to preventing industrial pollution and raising the level of clearing away and comprehensively eliminating "the three wastes." We should strive to raise the rate of eliminating industrial waste water from 13 percent to 30 percent and the rate of comprehensively using industrial residue from 25 percent to 40 percent and to conscientiously protect sources of potable water. All cities with favorable conditions must enthusiastically spread central heating and gas supply system. Efforts should be made to strive to complete the coal gas projects in Jinan, Qingdao, Zaozhuang, Yantai and Jining cities and popularize tap water in county towns across the province.

Upholding family planning work and strictly controlling population growth has a direct bearing on improving the people's livelihood. During the Sixth 5-Year Plan period, we should take effective measures in vigorously promoting late marriage, late pregnancy and excellent upbringing, advocating one couple to give birth to only one child, strictly stopping pregnancies for a second child and firmly putting an end to three children. Conscientious efforts should be made to protect girl babies and mothers who give birth to them. By 1985, the plan for the one-child birth rate will reach 85 percent, the plan for the

natural population growth rate will be cut down by about 10 per thousand and the total population of the province will be controlled at under 77.4 million.

Deputies: Our province's Sixth 5-Year Plan is formulated in line with reality and through repeated considerations. It seeks truth from facts and leaves some margin. Although the growth rate of the plan is not high, the arrangements are favorable to the continuous readjustment of the economy and the further development of all undertakings and can reap better economic results and better benefit the people. We may say that the plan may bring about a stable development in the course of readjustment and promote our province's modernizations. After fulfilling the plan, the proportion of agriculture, light industry and heavy industry in our economy will be balanced and the industrial and agricultural structures will basically be rationalized, thus we will further lay a strong foundation for all quarters to practically and better develop the economy during the Seventh 5-Year Plan period.

2. Reviewing the Situation in Implementing the Sixth 5-Year Plan in the First 2 Years of the Plan Period

The implementation of the Sixth 5-Year Plan started in 1981. In the past 2 years, under the leadership of the provincial CPC committee, governments at all levels and the large number of cadres and people firmly implement the lines, principles and policies of the Party Central Committee and the directives of the State Council, gradually and thoroughly readjusted, reformed, consolidated and improved the national economy, concentrated efforts on solving the imbalance of key proportions and made great efforts to enliven the economy, resulting in remarkable improvements in balancing the economic dislocation and in gradually developing key projects for energy and transport. Our province reaped bumper agricultural harvest for successive years. Our light industry is making rapid progress and heavy industry is rising gradually. New progress has been made in all undertakings and great changes have taken place on all fronts. The outstanding achievements are as follows:

1) Agriculture is making great breakthroughs and a new situation that we have never had before appears in rural areas of the province.

Since the great historical change in the Third Plenum of the 11th Party Central Committee, great changes have taken place in rural areas. The readjustment of all rural policies and production relationships and universal implementation of various forms of production responsibility system play a leading role, liberate the productive forces and bring about a comprehensive upsurge of agricultural production.

The 1982 agricultural output value reached 22.59 billion yuan, a 3.19 billion yuan increase over 1980, with an annual average increase rate of 7.9 percent and surpassing the annual average increase rate of 4.6 percent in the past 30 years. The agriculture changed the practice of only concentrating on grain production and readjusted the plan for growing crops in line with local conditions so as to bring the local superiorities into full play. The output

of grain, cash crops and diversified economy showed greater increases even though they were experiencing serious natural disasters in the past 2 years. In 1982, the total grain output reached 47.5 billion jin even though areas growing grain crops were reduced. The total cotton output reached 19.2 million dan, increased by a large margin and almost fulfilled the 1985 output target as set forth in the Sixth 5-Year Plan. Though key areas growing peanuts in the eastern part of the province were seriously hit by drought, the total peanut output reached 28 million dan.

Along with the enforcement of the system of contract responsibility with payment linked to output and the readjustment of agricultural structure, specialized households and key households engaged in the output of commodities emerged in large numbers and the commodity rate of agricultural and sideline production showed remarkable increases. Our province's total income from diversified economy in 1982 reached 16 billion yuan, a 52.5 percent increase over 1980. Rural areas, especially the long-standing poverty-stricken areas in the western and eastern parts of the province, have made encouraging progress along with the rapid increase in agriculture output. A large number of "the three dependence" brigades that depended on the state to sell food to them, to extend loans to engage in production to provide relief funds in the past, now take on a new look. Commune members and people have sufficient grain and money and make great contributions to the state. All rural areas across the province are thriving.

2) The output of consumer goods is increasing by a large margin and the situation in which commodities are in short supply has basically been changed. In the first 2 years of the Sixth 5-Year Plan period, our province gave priority to developing the output of consumer goods, expanding the investment in light industry and readjusting the service orientation of heavy industry. Over 700 enterprises were closed, suspended operations, amalgamated with others or switched to the manufacture of other products; thus, the output of consumer goods has been developed and a stable increase in industrial output has been ensured. In 1982, the total industrial output value reached 36.7 billion yuan, an increase of 3.7 billion yuan over 1980 and at an annual average increase rate of 5.4 percent. The total light industrial output value in 1982 reached 20.58 billion yuan, a 3.66 billion yuan increase over 1980 and at an annual average increase rate of 13 percent. The proportion of light industry rose from 51 percent in 1980 to 57 percent. The output of main consumer goods increased by a big margin. There is ample supply of commodities. Some commodities that were in short supply for a long time and were provided only with limited coupons are now in open-ended supply. The contradictions among markets have turned from the short supply of commodities to the fact that the quality, variety, color and design of commodities do not suit the needs of consumers. The market is brisk and the people are steady. We have never had such a good situation in the past decades.

3) Initial progress has been made in economic reforms, and production and circulation is enlivened.

In the past 2 years, our province conducted initial reforms in some systems, policies and regulations in line with the policy of emancipating our minds and

seeking truth from facts and the principle of taking the interest of the state, the collectives and the individuals into consideration. The decision-making power of enterprises has been expanded, the economic responsibility system has been carried out and the policy of purchases and sales has been readjusted. On the premise of the state plan, attention should be paid to bringing the market regulations into full play and effectively arousing the enthusiasm of all quarters to promote production and enliven the economy. Industrial enterprises concentrated their own efforts on finding raw materials, increased production and selling their own products. Through market regulations and widely opening up avenues for production, some enterprises that failed to fulfill the planned targets have been lifted out of their difficult situation in suspending and semi-suspending operations, and some of them even had an increase in production and income.

Commercial departments enthusiastically developed a diversified economy, expanded circulation channels, improved ways of management and made new achievements in reforming the commercial system. In 1982, our province had over 80,000 collectively-owned commercial enterprises and 326,000 individually-owned commercial households. In 1982, the business volume of urban and rural trade fairs reached 2.77 billion yuan and commercial and supply and marketing departments bought 3.73 billion yuan worth of goods through their own choices. These give great impetus to enlivening the urban and rural economy and making things convenient for the people.

4) The educational structure is being turned from a unitary system into a multiple system, and the situation in scientific and technical research and in popularizing and universalizing science and technology is getting better and better. During the first 2 years of the Sixth 5-Year Plan period, we paid attention to changing the unitary educational structure, mobilized the forces of all quarters to run educational undertakings, effected a new turn in reforming the educational structure and greatly developed all categories of schools at all levels. By the end of 1982, our province had 37 universities and colleges, 174 secondary specialized schools and 53 TV colleges, colleges for staff and workers, correspondence colleges, evening universities and teacher-training colleges, which are under rapid development. The reform in secondary educational structure has made a breakthrough. Our province has 421 agricultural and technical middle schools, agricultural middle schools and all categories of vocational middle schools. Some 372 regular secondary schools set up professional training classes and agricultural classes. The enrollment of these schools accounted for 16.5 percent of the total number of senior-level students in 1980 and 26.7 percent in 1982.

A greater number of vocational schools, technical schools, make-up classes and special courses sponsored by all quarters of the society have emerged. New achievements have also been scored in popularizing and applying scientific research findings and new techniques. Over the past 2 years, the province has achieved 3,330 important scientific research findings and have applied 446. Industrial enterprises at and above the county level have completed 1,413 technical transformation projects and the masses of workers have completed some 8,900 important renovations. An unprecedented new situation in applying science has appeared on the agricultural front. The peasants'

enthusiasm for studying and applying science has soared to an unprecedented height, more and more people have attended technical evening schools, technical lectures and various short-term training classes, agrosience leading households have increased to 250,000 and more and more people have taken the initiative in mastering science and technology.

5) The financial situation has been improved and the people's living standards upgraded. Through the past 2 years' efforts to further readjust the national economy, state, local and collective incomes have increased every years and the people's living standards have been continuously raised. Since 1981, governments at all levels have adopted a series of measures to increase revenue and cut expenditures, widely applied the fixed financial quota system, strengthened centralized and unified management of revenue, adjusted some tax policies, conducted inspections on enterprise finance, tax and profit, and have strictly enforced financial and economic discipline, thus bringing about a turn for the better in the financial situation. Our 1982 revenue was 4.929 billion yuan, 10.6 percent more than in 1980, thus changing the passive situation in which deficits appeared for 3 years in a row and achieving a balance between revenue and expenditures with a little surplus. This change was a comprehensive manifestation of the steady growth of the national economy in the course of readjustment. During the first 2 years of the Sixth 5-Year Plan period, governments at all levels continued to do a great amount of work to solve the long-accumulated problems in the people's lives. Beginning in 1979, they have greatly increased the procurement prices of farm and sideline products in accordance with state stipulations, adjusted the wages of a part of the workers, implemented the bonus system, offered jobs to urban people, improved the housing for staff and workers, and have issued various kinds of subsidies as part of implementing policies. In this way, our expenditures for the purpose of raising the people's consumption level increased every year. In 1981 and 1982, our expenditures increased by more than 7 billion yuan. Thanks to these important measures and increasingly developed production, urban and rural people's incomes have substantially increased and their living standards improved. According to a survey, the 1982 annual per capita income of worker families was as high as 489 yuan, 74 yuan more than in 1980. The increase of peasants' income was even greater. The 1982 annual per capita income of commune members was 304 yuan, registering a 38 percent increase over 1980 if calculated in terms of comparable items. An important indicator of the increased income of urban and rural people is the substantial increases in commodity retail sales and the people's savings deposits. By the end of 1982, the province's commodity retail sales totaled 17.8 billion yuan, 3.48 billion yuan more than in 1980, and the people's savings totaled 5.1 billion yuan, 2.1 billion yuan more than in 1980. New improvements of the people's housing conditions have also been achieved. In 1982, 4.52 million square meters of new houses were completed in urban areas and 65.3 million square meters of houses--totaling 4.03 million rooms--were built for rural commune members. This plus the houses built in 1979, 1980 and 1981 made our urban new houses reach more than 21 million square meters and our rural new houses, more than 200 square meters--totaling 15 million rooms. The current people's living standards, for sure, are not high. We should acknowledge, however, that the speed of growth of the people's consumption was fast in the past few

years, remarkable results were achieved, and that the party and the state did their best in the face of the difficulties in the state finance and economy.

The major changes I have listed above are mainly changes in the socialist material civilization. The development of the situation of the province in the past 2 years, particularly the rural situation, which was so rapidly and well developed, was something beyond the people's expectations. Our achievements were there for all to see and the masses of cadres and people were pleased and satisfied. Such a good economic situation was a result of our efforts to implement the party's line, principles and policies adopted since its third plenary session, an inevitable outcome of our efforts to strengthen the socialist spiritual civilization and an overall reflection of the outstanding work of all fronts and fields. Over the past 2 years, the province has deepened the "five-stress and four-beauty" activities, further strengthened the ideological and political work and the democratic legal system, won great successes in dealing blows to serious economic and other criminal activities, and has remarkable improved social conduct and public security, thus promoting development of new morality and habits and bringing about a profound change in the people's mental outlook. All this has effectively facilitated political stability and ensured the smooth progress of the building of the socialist material civilization. After reviewing the course we traversed in the past 2 years in implementing the Sixth 5-Year Plan, we want to express our wholehearted gratitude to the people across the province for their support and trust toward governments at all levels and to the PLA units stationed in Shandong for their assistance and support to various local undertakings. Here, on behalf of the Shandong Provincial People's Government, I want to express the highest consideration to workers, peasants, intellectuals, the leading organs of the PLA units stationed in Shandong, the masses of commanders and fighters, and to the militiamen.

Deputies, although we scored great achievements in the first 2 years of the Sixth 5-Year Plan period, we still have some practical difficulties and problems in work, and the tasks for the next 3 years are arduous. The pressure on energy and transport, insufficient water sources, inadequate talented persons, and low-level management and operation are the main factors that could hinder our economic development in the Sixth 5-Year Plan period and the days to come. Although our revenue and expenditures in 1982 were balanced, the balance was attained by cutting down all expenses. The accumulated deficits over the years have reached over 200 million yuan, and the outstanding accounts from the past need to be paid off. The inadequate local financial resources may directly hinder the development of educational, scientific, cultural and public health undertakings. Therefore, some other affairs that should be handled cannot be. We failed to fully emancipate our minds, eliminate outdated conventions, or be sensitive to fresh affairs. Leaders exercised bureaucratic workstyle, paid much attention to specific work, and failed to take the whole situation into account or make all-round plans and effective measures for some big issues, especially for further readjusting the economy, controlling the scale of the investment in fixed assets, raising the economic results of all quarters, and making the most of coastal areas. We must draw a lesson from these aspects, adopt a correct attitude towards difficulties, and be inspired with enthusiasm to cautiously and conscientiously achieve the tasks for the next 3 years of the Sixth 5-Year Plan period.

3. Speed Up the Pace of Reform in the Course of Readjusting the National Economy

In order to smoothly carry out the Sixth 5-Year Plan and lay a good foundation for development in the days to come, we must comprehensively implement the policy of readjustment, reform, consolidation, and improvement, better integrate readjustment, and consolidation with reforms, take reform as a key link to give impetus to readjustment and consolidation, and promote reform through readjustment and consolidation. We will leave the issues of readjustment, consolidation and improvement for further special talks and begin by talking first about the issue of reform.

Comrade Hu Yaobang's important speech on "The Four Modernizations and Reform" deeply expounded the significance and urgency of reform and the relationship between reform and the four modernizations, clearly set forth the policy, principle and demands for reform, and stressed on penetrating reform into the entire course of the four modernizations. We should deeply understand the guidelines of the speech. Since the 3d Plenum of the 11th Party Central Committee, our implementation of the agricultural production responsibility system and the policy of enlivening the economy has fully proved that our province, under the situation in which certain achievements have been made in readjustment and consolidation, should conduct reform. If we do not conduct reform, it will be difficult to thoroughly conduct readjustment and consolidation and the four modernizations will not be able to go forward.

We should admit not hide the fact that our current systems, policies, administrative regulations, and rules and regulations have malpractices. Some links in the superstructure, economic base, production, and productive forces are unsuitable, seriously fetter the enthusiasm of all quarters, hinder the great improvement of productive forces, and prevent the superiority of the socialist system from being brought into full play. We should proceed from reality, continue to attend to readjustment and consolidation, and simultaneously speed up the pace of reform, eliminate malpractices, and open up ways to go forward.

Reform is a complicated task and is related to all spheres of political, economic, cultural, and social life. We must strengthen our sense of urgency towards reform, proceed from reality, and conduct reform in comprehensive, systematic, resolute and orderly manners. In line with the principle of establishing a socialism with Chinese characteristics, making the nation flourish, bringing about wealth and happiness to the people and carrying out the CPC Central Committee's unified plan, we should take the lead in conducting the reform in a step-by-step manner. In the next 3 years of the Sixth 5-Year Plan period, agriculture should continue to carry out and perfect the production responsibility system centering on signing contracts with households to assume responsibility for certain output. Attention should be paid to reforming the administrative and management system among administrative organs at all levels and industrial and commercial enterprises as well as reforming the systems of commodity circulation, education, and scientific research. At the same time, we should firmly attend to investigating and studying the reform in the personnel affairs system, labor wage system, and medical and

public health systems to work out plans for conducting reform on a trial basis and to create favorable conditions for systematically conducting reform.

The Issue on Reforming the Administrative Structure at Each Level

In the reform, priority should be given to changing the situation of separate departments at each level in both urban and rural areas, overstaffed and overlapping organizations, and organs with more aged cadres.

The reform of our provincial-level administrative organs started in the fourth quarter of 1982. At present, with the first-phase task accomplished and the second phase of reform begun, we should attach importance to readjusting the inner organizational structure, reducing the number of personnel, establishing and perfecting rules, regulations and the system of personnel responsibility, and to defining the division of labor and the duties incumbent on each post of departments to make all departments have the function and duty of solving the problems within the limits of their authority.

The plan for reforming the prefectural and city administrative system and for restructuring the prefectural and city administrative organs has been submitted to the State Council and will formally be carried out after approval. The guiding ideology of the reform centers on economically developed cities and rural areas and is to gradually carry out the system of cities administering counties, to closely combine cities with rural areas, to enable cities and rural areas to be independent and support each other, and to promote the development of urban and rural economic and cultural undertakings. Our tentative plan is as follows: Cities directly under the jurisdiction of the province whose economy is well developed and whose sphere of influence is adequate may administer counties. Prefectures and cities under the jurisdiction of prefectures whose economy is well developed may carry out the system of combining prefectures with cities to administer counties. Administrative offices in those cities with unfavorable conditions should be preserved with streamlined organizations and reduced number of personnel, should serve as representative organs of the provincial government and should take the responsibility for supervising and inspecting the work of the counties affiliated to them. The reform of prefectural and city administrative organizations should act in unison with that of the economic system. The reform should be accomplished by the end of this September. The reform of county-level organizations will be gradually conducted in the fourth quarter of this year. This year, we should expand our trial work on separating government administration with commune management and establishing rural governments in rural grassroots areas and should sum up and accumulate the experiences in this reform to strive to basically accomplish the work by the end of this year and to comprehensively conduct the work in 1984.

The Issue On Reforming the Administrative and Management System Among Industrial and Commercial Enterprises

The demands for reforming the administrative and management system among industrial and commercial enterprises are to rationally readjust the interests of the state, the collectives and the individuals; to adhere to the principle

of the state obtaining the greater part of the profits, the enterprises obtaining a smaller part, and individual workers obtaining an even smaller portion; to correctly handle the relation between the achievements in labour and the benefits of staff and workers; to expand the decision-making power of enterprises; to reinforce enterprises' sense of responsibility for economy; to strengthen the staff and workers' sense of being masters of the enterprises and their sense of responsibility; and to enable enterprises to be motivated to energetically and dutifully develop the production and to improve administrative and management system.

The tax payment system must be reformed. The system of substituting taxes for the delivery of profits to the state carried out among state-owned enterprises to establish and perfect the economic responsibility system to further enliven the economy, has the advantage of breaking the limits between departments and regions in order to readjust the structure of enterprises in line with their economic requirements, and is good for linking enterprises' rights, duties and benefits. State-owned enterprises should conduct this reform. The State Council has worked out specific stipulations and regulations for the implementation of this reform. We should enhance our understanding, seek unity of thinking, and resolutely implement the reform.

The tax payment system reform must take a two-step measure because trades are different, the situation in reform is complicated, and the factors in prices may influence the profits of enterprises. On the one hand, we must take an enthusiastic attitude and speed up the pace of reform; on the other hand, we should do a good job in replacement work. Some large state-owned enterprises are approved to carry out the system of progressively increasing profits on a contract basis. Other large state-owned enterprises should carry out the system of delivering both profits and taxes to the state and the system of sharing after-tax profits on a contract basis with the state. Those enterprises whose after-tax profit level is lowered may retain all the after-tax profits.

Enterprises which suffer deficits as part of the implementation of policies should be assigned deficit quotas and be allowed to share all or a part of the amount of deficits they have reduced. Whichever method is adopted, it is imperative to guarantee steady growth in state revenue and to set a reasonable profit-sharing percentage for enterprises. In the course of changing profit delivery to tax payment, it is necessary to strengthen planned guidance and price control and intensify enterprise financial supervision so as to guide enterprises to properly use and manage funds and ensure smooth progress in reform.

After changing profit delivery into tax payment, industrial, communications and commercial enterprises should continue to enforce the contract economic responsibility system, closely link economic responsibility with economic benefits, ensure more pay for more work, less pay for less work and no pay for no work and gradually solve the problem of "eating from the common big pot." Large and medium-sized enterprises should proceed from their actual situation in deciding the forms of the contract systems for themselves. In general, the total amount of bonuses should not be exceeded but the amount of bonus for each worker may fluctuate according to the results of enterprise management and the workers' performance. State-run small enterprises may be run collectively

with state ownership remaining unchanged, elect their directors or managers through democratic elections, exercise independent accounting with sole responsibility for their profits and losses and implement the floating wage system. Collective enterprises should resolutely change management methods copied from those of state enterprises and should be run according to the characteristics of the collective economy. Some of these enterprises are too large and should be properly reduced. Some may restore the stock- and dividend-sharing system, some may be contracted out to individuals. Building and construction enterprises should widely apply the contract responsibility system for construction period, construction costs, quality and material consumption. Overall contracts, individual contracts or joint contracts may be applied. If conditions permit, construction units may also invite public bidding for contracts. Wages for workers in construction units may fluctuate and be given according to their performance, in order to ensure more pay for more work and less pay for less work. Urban public utilities, communications, afforestation and environmental sanitation departments should formulate measures in accordance with the abovementioned guidelines. Institutes which have incomes should vigorously apply enterprise management methods and enact the contract responsibility system. Unlike the agricultural contract responsibility system, the system adopted by enterprises and establishments is urgent and complicated and, therefore, they should implement it in a planned and step-by-step manner while continuously summing up experiences. In the course of application, efforts should be made to ensure production safety, to maintain equipment well, to properly handle the relationships between different sectors of the enterprises, to prevent any individual from improperly increasing his wages too much and to make reasonable arrangements for the work of old and female workers and workers who have practical difficulties so as to protect their interests. In the meantime, we should resort to economic and administrative methods to protect the interests of consumers. Contracts should cover product quality, service quality, price discipline and professional ethics and should be supervised by industrial-commercial administrative departments and price departments so as to prevent production of shoddy goods, arbitrary price hikes, cheating in weights and measurements and embezzlement and to guarantee price stability.

The Issue On the Reform of the Circulation System

Irrational circulation is a big obstacle to the development of production and the economy. During the Sixth 5-Year Plan period, we should make a breakthrough in the reform of the system. We should continue to structure commerce, expand and increase circulation channels, boldly and properly develop the collective and individual sectors of the commerce on the condition that the state sector occupies a dominant position, and gradually improve the socialist unified market with the coexistence of diverse economic sectors. It is demanded that the proportion of the sales of collective and individual shops in total commodity retail sales be increased from 4.6 percent in 1980 to 30 percent by 1985. It is necessary to reform the commercial wholesale system. In principle, the province's two-level wholesale departments should be changed into one-level departments. Duplicate, irrational wholesale departments originally set up according to administrative areas should be readjusted step by step so as to reduce operational links. Commercial wholesale departments at

all levels should change the method of supplying to fixed administrative regions and fixed departments and the method of the fixed reverse-deduct pricing rate into a transregional business method with circulation links reduced and into a negotiated reverse-deduct pricing rate, so that commodity circulation channels can reach every corner and commodity production can be greatly developed. It is necessary to accelerate the pace of conducting reform in the systems of supply and marketing cooperatives, to restore their mass line in organizational work, democracy in their managerial affairs and flexibility in their business operations, and to gradually build cooperatives into centers of supply and marketing, processing, storage, transport and comprehensive technical services. In conducting reforms in this regard, it is necessary to widely carry out reform operations from the latter half of 1983 on the basis of the pilot work done in the last period. Efforts should be made to check up on stocks, to draw extra profits, to implement the rights of stockholders, to arouse the masses to buy stocks, and to convene commune members' congresses to work out cooperative regulations and to elect boards of directors, supervisory committees and leading personnel so as to build supply and marketing cooperatives at grassroots levels into the real cooperative business firms of the masses. In the meantime, it is necessary to convert county supply and marketing cooperatives to county joint cooperatives in order to build them into joint economic entities with cooperatives in order to build them into joint economic entities with cooperatives at grassroots levels.

The Issue On Conducting Reforms in Education, Science and Technology

In conducting reforms in educational systems, it is necessary to touch upon higher educational institutions, senior and junior middle schools and elementary schools. In the next 1 or 2 years, our work stress should be laid on successfully conducting reforms in secondary education structures. In line with the demands of the four modernizations' program and the reforms of secondary education, higher educational institutions should do a good job in readjusting specialized courses and conducting reforms in teaching methods. Efforts should be made to open classes at various levels, to designate multiple specifications and to operate the various types of schools. It is necessary to improve the systems of student enrollment and quota allocation and the method of releasing grants-in-aid among a number of higher educational institutions and secondary vocational and technical schools. The colleges and vocational schools in agriculture, forestry, medicine, teaching, mining and geology may recruit students from certain areas and enterprises and allocate their graduates to them. The secondary agricultural vocational and technical schools may recruit youths, who will attend schools at their own expense, from specialized households and households doing specialized jobs besides crop cultivation in rural areas, and let them return to their home towns after graduation. Thanks to the great upgrading in the people's living standards, the system enforced in the early period of the PRC's founding in regard to grants-in-aid for worker and peasant children has lost its original significance. Except for remaining a part of funds for helping children of households that have had real difficulties, the system will be almost totally replaced by scholarships so as to encourage students to study hard. In conducting reforms in secondary education structures, it is necessary to accelerate the pace of work and to upgrade work quality. In the coming 3 years, each county in rural areas should convert one or two general middle schools to

agricultural vocational and secondary technical schools. After the school conversion, the state is still not responsible for job arrangements for graduates from these schools. They should return to their own communes or brigades or find a job in other communes or brigades to conduct technical guidance. In line with the demands of developing agriculture in an all-round way, efforts should be made to improve teaching materials and specialized courses and to devise additional specialized courses suitable to local conditions in regard to developing a diversified economy and processing farm products so as to train more junior technicians with specialized knowledge for rural areas. In urban areas, we must be determined to convert 1/3 general middle schools to vocational schools and to try to open vocational classes in other general middle schools in order to train more labor reserve forces with specialized techniques. By 1985, the rate of students in vocational and technical schools across the province will reach over 40 percent of the total provincial middle school students. The departments of planning, education and labor and personnel affairs should immediately go into action to map out plans or to make arrangements for training more teachers for vocational and technical schools or for transferring teachers to them.

The key to the reform of the scientific and technological systems is to encourage scientific research personnel to tackle difficult problems, promote the transfer of scientific and technical findings and facilitate close coordination between scientific and technical units and production and construction units. Application of diverse technical contract responsibility systems which combine responsibility, power and benefit should be emphasized. Specialized research departments should distribute the state-assigned research tasks among laboratories, groups and individuals. They may contract out some of their assigned tasks on a trial basis. Methods of meting out rewards for scientific research findings should be improved. We should decide on bonuses according to the value created by applying the findings and should resolutely stop the method of equally distributing bonuses.

We should advocate cooperation of education, scientific research and production units and cooperation of scientific and technical personnel, workers and cadres and support scientific research units and colleges and universities to directly contact with production units by means of signing technical research, advisory and application contracts, under which payment is given according to the economic results achieved. On the premise that their own duties are fulfilled, scientific and technical personnel and teachers of colleges and universities may assume concurrent jobs or assist production units solve technical difficulties in their spare time after obtaining approval. We should both encourage them to make more contributions to the state without giving thought to personal fame or gain and allow them to get proper pay. We should change the situation in which scientific research institutes are irrationally set up, duplicate research is conducted and manpower is wasted. After reserving some comprehensive research institutes for the province, we should pool scientific research personnel to reestablish, in a planned manner, specialized technical study centers which suit local specific natural conditions and economic and technical superiorities. In this way, we can gradually build a scientific research network which satisfies the needs in Shandong's

economic development. The provincial scientific and technological commission should provide specific plans for this reform and strive basically to complete it by 1985.

We should continue to eliminate the "left" influence if we are to successfully effect the reforms in various fields. Since its Third Plenary Session, our party, following the ideological line of seeking truth from facts, has made ceaseless efforts to correct "left" errors and thus fulfilled the historical task of setting ideologies aright. In our practical work, however, not all the guiding ideologies for various trades and professions and various departments have been straightened out. In the economic field, particularly, the "left" idea still has wide and deep influence on various fields of work.

A conspicuous reflection of the influence is "large scale, public ownership, unified management, egalitarianism and all-embracing." Some think that the larger the scale of work they have, regardless of what it is, the better that the more public ownership there is, the better. They want to put everything under unified state management, to apply egalitarianism in distribution and to blindly make their work all-embracing. These "left" ideological influences still fetter the people's thinking and infiltrate our rules and regulations, systems, policies and work methods. Besides this, outdated things which were once correct should also be clarified and changed. In our efforts to facilitate reforms in all fields, we should systematically sum up positive and negative experiences of our own localities, departments and units, take practice as the sole criterion for truth and the principle of "three conduces" to sort out the "left" and the outdated, persist in the correct, correct the erroneous, revise the outdated and free ourselves from the "left" influence and from the fetters of old regulations and restrictions. Without doing so, we cannot smoothly promote the reforms, nor establish new rules and regulations, nor create new experiences and new workstyle, and the reforms we have already carried out will meet with setbacks and will even be brought back to the old rut. All leading cadres should stand in the van of the reforms, test everything before carrying it out and refrain from rushing headlong into mass action. Instead of adopting the passive way of criticism, they should adopt the positive way of rendering help in dealing with problems arising in the course of the reforms, make the best use of the situation and solve the problems in a timely manner.

4. Further Correct the Guiding Ideology for the Economic Work

We should more thoroughly readjust the national economy in the next 3 years. In order to fulfill the Sixth 5-Year Plan, we should not only carry forward the fine tradition of self-reliance and arduous struggle, but more important, continue to resolve the following issues of fundamental importance in our guiding ideologies and practical work.

1) Center economic work on raising economic results.

Trying all means possible to raise economic results in the sphere of production, construction and circulation is a key to ensuring a sound development of the national economy. Since the Central authority set forth the principal of raising the economic results in 1981, all quarters have begun to pay attention

to changing the poor economic situation. Some enterprises have scored remarkable achievements. But the situation of poor economic results is still a prominent problem which needs to be solved. In 1982, the utilization rate of funds among our province's state-owned enterprises whose production is under state unified budget and the rate of withdrawn funds and the rate of profits in output value among fixed assets failed to reach the peak records and some of them were even lower than the 1981 figures. Twenty-four percent of state-owned enterprises incurred losses and had total deficits of 250 million yuan, a 22.6 percent increase over 1981. Some 83 percent of the lost enterprises were caused by poor management. The profits handed over to the state by commercial and supply and marketing enterprises dropped 20 percent compared to 1981. This shows that the guiding ideology of our economic work and the operation and management of enterprises still have quite a few problems. In order to center the economic work on raising the economic results, we must correctly handle the relations between speed and results, between quantity and quality and between micro-results with macro-results. Owing to the influence of "leftist" ideology and the irrational economic management system, we unilaterally used to attend to output value, the quantity and speed of output to the neglect of quality and results. Some units and localities only paid attention to their own economic results to the neglect of the economic results of the collectives. Although the situation has been changed, some comrades still fail to change their thinking and only attend to speed. The situation in which work groups at each level fail to fulfill their tasks is serious. Some comrades regard speed as conflicting with results and quantity as conflicting with quality, and do not try to attain the speed that can be attained. In this circumstance, results and quality as well as speed and quantity cannot be fulfilled. Our modernizations will not be fulfilled without speed. The growth rate must be based on raising the economic results at a steady increase. At present, our failure to attend to speed is not worth worrying about, but our negligence in economic results is. If we do not attend to this problem, a tense economic situation will be created. The economic results comprehensively reflect economic technical targets. Speed without economic results is not real speed and quantity without quality is not real quantity. We must ideologically and practically link economic results with speed and quantity with quality and firmly take a new path for seeking practical speed and raising better economic results. In order to ceaselessly raise the economic results, we must correctly handle the changes of objective conditions and squarely face the existing objective problems. In recent years, the prices of some industrial raw materials were raised, the prices of some products were reduced and the production of some with great profits was restricted. These factors, to a certain degree, hindered the enterprises from raising their economic results; however, they are not the main factors for creating low economic results. Why do some enterprises greatly raise but not reduce their economic results under the same condition of readjusting the price of raw materials? Why under the same conditions can some enterprises deliver profits to the state, while others must be subsidized by the state because they failed to fulfill their tasks? The basic reason is that they have brought their subjective dynamic role into full play. After raising the prices of coal and electricity in 1981, the cost per ton of synthetic ammonia was increased 40 yuan and the expenses of small nitrogenous fertilizer enterprises across the province increased 24 million yuan. Their annual profits

were not reduced, but increased by over 100 percent as compared with 1981, thanks to strengthening the operation and management. Practice shows that whether we have made subjective efforts or not, the results are completely different. In line with the law of development, the objective conditions are ceaselessly changing. Under the new situation, we should face reality, squarely face the existing problems in work, understand difficulties and solve them, turn the pressure into motive forces, ceaselessly raise operation and management levels, vigorously reduce consumption, economize on funds, improve quality, reduce cost and speed up the circulation of currency to make remarkable achievements in raising the economic results. In the next 3 years of the Sixth 5-Year Plan period, governments and economic departments at all levels should pay attention to increasing profit-earning enterprises' income and to turning losing enterprises' deficits into profits and strive to eliminate by 1985 those enterprises whose losses are caused by poor management.

2) To carry out the four modernizations, we must take the present foundation as an advance front and support. This is an important guiding ideology in the economic work. After more than 30 years of construction, we have a fairly good scope in agriculture, industry, commerce, construction, communications and transport and have laid a relatively good foundation in this regard. To ensure the fulfillment of the Sixth 5-Year Plan and to realize the grand objective of achieving the two doublings, we must successively increase some new construction projects, and this has become a necessity. However, we should place our footing mainly on relying on the present foundation and tapping the potential of production.

In developing agriculture, we must make good use of our strong points while steering away from the weak, give full play to our superiority, and tap potential from all quarters. As far as the province is concerned, through readjustment, the internal structure of the cropping industry has become basically rational. In the past few years, despite the rapid development in production, however, the average per-mu yield of grain, cotton and oil-bearing crops is still low and the area of low-yield and medium-yield fields accounts for one-third of the total cultivated area. Potential in this regard is still very great. During the last 3 years of the Sixth 5-Year Plan, efforts must be made to further promote scientific farming, upgrade fine strain seed varieties, improve cultivation techniques, readjust the structure of fertilizer, substantially raise the yield per unit area and, by 1985, strive to raise the per unit area yield of most of the low-yield fields to the level of medium-yield fields and that of some medium-yield fields to the level of high-yield fields. The per unit area yield of the existing high-yield fields must also be improved. The soil conditions of both sides of the Huanghe and the western and northern parts of the Shandong plain are very good and their water resources are very rich. We must give full rein to these advantages and strive to build these areas into the province's high-yield grain and cotton producing areas as soon as possible. A more important way to tap the potential of agriculture is to broaden the field of perception and make good use of the 120 million mu of lands that are not under cultivation. Our province has a vast population but limited arable land. With the institution of the out-related contract responsibility system and the enhancement of production efficiency, there are a strong number of surplus laborers in the rural areas. A great

many barren hills and beaches, ponds and water surface and coastal sea and lake shores, however, have not been fully developed.

We must make full use of these favorable conditions to rapidly shift the surplus labor forces to the vast world of the diversified economy, and boldly develop forestry, animal husbandry, sea and fresh water fisheries, and the processing industry of farm and sideline products. Efforts must be made to further relax policy restrictions, give full play to the role of all "competent persons," encourage some people to give up farming to engage in specialized production of commodities in the same countryside where they are residing and adopt appropriate measures to help them solve practical problems in funds, supply and marketing and in other spheres. By doing so, we can enliven the economy at a more rapid pace and enable agriculture as a whole to embark on a new road of an all-round development in agriculture, forestry, animal husbandry, sideline occupations and fisheries and of a comprehensive operation in agriculture, industry and commerce. In order to meet these demands, during the next 3 years of the Sixth 5-Year Plan, governments at all levels must realistically grasp five tasks well. 1. We must stress the subsidiary facilities of the present agriculture and water conservancy projects, continue to carry out farmland capital construction and unceasingly enhance our ability to combat natural disasters. Mountainous and hills areas must make earnest efforts to manage the present water conservancy facilities and actively exploit water resources. The four areas in the western and northern parts of Shandong must speed up the transformation of saline-alkali land and ideologically and practically prepare for floods and waterlogging. 2. Grain, agricultural and machinery departments concerned must be organized to formulate plans for the feed industry and to raise funds to run small or integrated plants so as to rapidly develop the feed industry. 3. Proceeding from the actual situation in the localities and in line with the demand of economically and rationally producing whatever products that are in short supply, we must actively develop the agricultural, sideline and industrial products processing industry, carry out processing of raw materials and refined products, improve benefits by comprehensively utilizing the raw materials and gradually achieve the goal of basically processing whatever products that can be processed in the rural areas. In the future, cities will not develop preliminary processing of agricultural and sideline products. 4. In order to meet the needs of developing agriculture in an all-round manner, we must gradually popularize the experience of Changyi and Xixia counties in adopting the method of voluntary cooperation to establish service companies to help in plant protection, fine seed breeding, drainage and irrigation, farm machinery, transport and marketing and some specialized companies to take care of fruits, vegetables, livestock, poultry and building materials so as to promote the development of commodities in the rural areas. 5. In line with the principle of over-all planning and rational arrangements, we must organize relevant departments to formulate development plans for small cities and towns in the rural areas. In the future, we must include the development of industry, communications, commerce, education, science and technology, culture and public health undertakings in our plan, concentrate them in various areas and gradually spread them all over the province to form small economic and cultural centers.

In the sphere of industrial development, efforts should be concentrated on tapping the potential of the existing 19,000 enterprises and on enterprise consolidation. In the past year, in line with the instruction of the CPC Central Committee, we carried out consolidation at more than 1,000 industrial enterprises run by the county authority or higher, resulting in remarkable efficiency. As far as the units which have reached the acceptance standard are concerned, their enterprise features have obviously changed and their production and management level and economic results have greatly improved. The key to carrying out enterprise consolidation lies in successfully organizing the leading bodies in line with the demands of the four modernizations. Many enterprises which had suffered from a long-term deficit due to poor management have immediately taken on a new look after they promoted some experts to their leading bodies. In reorganizing the leading bodies, we must further emancipate our minds, adopt more decisive measures to promote to the leading bodies those young and middle-aged cadres who have both ability and political integrity, who are full of vigor and who are able to create a new situation. The cadres who are listless, who are content with backwardness and who have attempted nothing and accomplished nothing for a long time should be removed from their posts, and such cadres should be prevented from holding leading posts at other units. To achieve success in enterprise consolidation, it is also necessary to vigorously strengthen the ideological and political work and the basic managerial and operational work, establish and improve regulations and systems, popularize the planned management, quality control and economic accounting in an overall manner, consolidate labor organizations, implement the system of a fixed number of staff members and a fixed production quota, improve the economic responsibility system and create "six-good" enterprises. In the last 3 years of the Sixth 5-Year Plan period, in line with the demands of carrying out enterprise consolidation in an all-round manner, stressing the main points, giving different guidance to different cases and checking group after group before acceptance, people's governments at all levels should strengthen their leadership over enterprise consolidation, sum up and apply the experiences which have already proven a success and ensure quality so as to carry out consolidation at all industrial, communications, financial and trade and construction enterprises prior to 1985.

It is necessary to continuously expand the foreign economy and trade and technical exchanges. With many seaports, rich natural resources and a sufficient labor force, our province has a good foundation for developing the production of export commodities. At present, the purchase of export commodities and the total export value in our province rank fourth in our country. This is great superiority. To quadruple our province's economy, there are two major problems. In addition to solving energy and power shortages, an important thing is to use this superiority to expand foreign trade. Having our feet firmly planted at the existing basis, we must further develop the bases for producing export commodities and build some plants, mines and workshops specially for export use and accelerate the construction of the Gingdao, Yantai, Jinan and Weifang foreign trade bases. It is also necessary to develop such trade forms as promoting export with import, processing of products with materials provided from abroad, assembly of imported materials and compensator trade. Efforts should be made to import technologies and utilize foreign capital and various forms of economic and technical cooperation to make our

province's foreign trade grow at a fixed rate despite the international economic depression. The key to expanding foreign trade lies in exports and that to expanding export lies in developing the production of export commodities. On the one hand, we should maintain the high prestige of our traditional export commodities to stand firmly in the international markets; on the other hand, we should not be content with the present prestige lest our production come to a standstill. It is necessary to strengthen the investigation of international markets and the exchange of information. In line with the market changes, we should constantly readjust the product mix of export commodities, increase the export of manufactured goods and, in particular, mechanical and electrical products, improve selling work and strive to promote the business. The export of a labor force is conducive to both the state and the people. In the last 3 years of the Sixth 5-Year Plan period, it is necessary to vigorously contract business with foreign countries, expand labor and technical services and strive to create a new situation in economic and technical cooperation with foreign countries in the fields of civil construction, highway and bridge construction, the building material industry, the ceramic industry, agriculture and fisheries.

3) Strictly control the scale of the investment in fixed assets.

In line with the principle of acting according to one's capacity and ensuring the completion of key projects, strictly controlling the scale of the investment in fixed assets is a basic condition for ensuring a stable development of the economy. How to maintain a balance between the scale of the investment in fixed assets and manpower and material resources to better achieve the investment results is a problem that we failed to solve for a long time. Because we conscientiously carried out the directives of the central authority on contracting the capital construction front, comparing 1981 to 1980, our scale of investment was cut down. Since our economic situation began turning for the better in 1982, a new trend in investment and projects has begun and the total investment of our province reached 4.3 billion yuan in 1982, setting a record. The situation in which the investment covered by budget is reduced and the scale of the investment not covered by budget is overexpanded is more serious. Owing to the reduced investment in energy, transport and key projects and the increased investment in the processing industry, some capital construction projects are being carried out under guise of technical transformations. From an overall point of view, some projects, that are only suitable for certain localities and departments, are irrational. Some are under blind and duplicate construction. Owing to the reexpansion of the capital construction front, some main building materials, such as steel, timber and cement are in short supply. The tense situation in light industry and markets may influence the construction of key projects. Although the scale of investment is cut down this year, it still cannot be completely controlled. Practice shows that our comrades ideologically fail to draw a lesson from historical experiences. Once the situation is good, they become hotheaded and have a relapse. Leading comrades of the central authority have seriously pointed out that several past setbacks in our nation's economy cannot be separate from blindly expanding the scale of capital construction. If we do not resolutely stop the phenomenon in arbitrarily constructing projects, we will be forced to conduct readjustment in a few years. Leading comrades at all levels should pay serious attention to

this warning. Our province has complete categories of the processing industry. Most trades can suit the current needs and some trades even have surplus capacity except that the chemical industry and textile industry must expand their production capacity and a small number of trades must fill up the gaps. If we do not control the scale of capital construction and blindly continue to develop it, the newly constructed enterprises will compete with old enterprises for tasks, raw materials and energy, hinder the original enterprises from fully bringing out latent potentialities, prevent raising the economic macro-results and create great waste. On the issue of controlling the scale of investment in fixed assets, the State Council has clearly set forth regulations, and the provincial government has issued a special circular. In short, on the premise of controlling the scale of investment, we [words indistinct] in processing industrial projects, appropriately control the increase in consumption funds, restrict the construction of nonproductive projects, amass material and financial resources and ensure the completion of key state projects. Governments and economic departments at all levels should have strategic foresight, foster an overall point of view, jump out of the small circle centering on the interests of localities and departments, overcome the idea of simply relying on constructing projects and expanding the scale of construction to increase production, strictly carry out the state-assigned plan for the investment in fixed assets, punish those who excessively use investment with approval in line with the law of violating financial and economic discipline and collect 30 percent of the investment they excessively used without permission as funds for energy and transport construction.

4) Actively promote technical progress related to the national economy.

To speed up economic development and to create a new situation in the modernization of construction, it is necessary to rely on technical progress and equip all economic departments with advanced technology. Leadership at all levels and all economic workers must firmly foster this guiding ideology. At present, though our province has some enterprises whose technology and equipment are fairly advanced, generally speaking, its technology is still very backward. Most of the undertakings including industry, agriculture, communications and transport, commerce and construction, were built on the basis of outdated technology, equipment, materials and techniques. This is the reason for outdated products and poor economic benefits. During the Sixth 5-Year Plan period, we must adopt positive measures to achieve new progress in promoting technical advance.

The key to promoting technical progress lies in enhancing understanding, abandoning the old way of relying only on new establishments and forces to develop production and following the way of mainly relying on internal forces. At present, many of our comrades lack a profound understanding of the tremendous role played by technical progress in the course of economic development. They do not know that science and technology are productive forces. They onesidedly held that relying on external expansion will result in rapid production. Therefore, they set up new establishments, build large factory buildings, expand capacity and carry out capital construction projects with funds that should be used for technical transformation as stipulated. As a result, many

advanced scientific and technological achievements have not been popularized and many backward equipment and techniques have not been transformed. It will be impossible to comprehensively fulfill the Sixth 5-Year Plan and to achieve the four modernizations if we fail to rapidly change these old ideas and methods. We must absorb lessons, correct our thinking and push forward technical transformation among enterprises as soon as possible. The provincial government decided that all competent economic departments at all levels under the province must formulate short-term technical transformation plans for all trades, set forth objectives for upgrading equipment and importing technology, clarify the target and emphases on technical transformation and, after assessment, gradually put them into practice. Prior to 1985, all trades must set several exemplary cases in advanced technology and good economic benefits. Each and every enterprises must make certain progress in technical transformation.

To promote technical progress, we have to solve many problems, including policy and practical problems. In regard to the policies for promoting technical progress, the government work report adopted at the Fifth Session of the Fifth Provincial People's Congress last year has set forth several stipulations. Continued efforts must be made to conscientiously implement them. With regard to the practical problems, the current one that urgently calls for solution is how to manage and make good use of the funds assigned for technical transformation. There are quite a large amount of funds available for technical transformation. In industrial and communications enterprises alone, the depreciation funds for fixed assets in their own hands, funds for overhaulage and the profits retained by enterprises for developing production, reach 700 million yuan annually. When bank loans are included, such a sum will be quite big. However, such a sum has been distributed among thousands and thousands of enterprises every year. As far as a specific enterprise is concerned, it can only carry out technical transformation bit by bit, off and on, by its own efforts. It will be difficult for it to carry out its transformation projects systematically. In order to solve this problem, we must adopt the following three methods to manage and make full use of such funds. First, a certain portion of the depreciation funds and funds for development retained by enterprises must be utilized by competent departments to concentrate on technical transformation stage by stage and group by group among their subordinate enterprises; second, efforts must be made to apply economic and administrative levers to guide enterprises to use the funds that are in their hands to carry out technical transformation in line with the plans stipulated by their own trades. All prefectures and cities are not permitted to go their own way; and third, all bank loans should be concentrated on carrying out key technical transformation projects in line with the general plans of the province and cities. With regard to this issue, the provincial economic and planning commissions and the provincial financial department must study and set forth specific implementation plans with the concerted efforts of various banks.

5) Adhere to the principle of relying mainly on the planned economy and supplementing it with regulation through the market.

On the basis of public ownership, developing the planned economy and, at the same time, giving play to the supplementary role of market regulation is an

important principle for guiding our socialist economic activities and ensuring the stable and sound development of the national economy. The correct way to implement this principle is to control the major part of our economy with the plan and let the small part develop freely. By so doing, our national economy can be developed not only in a centralized and unified manner, but also in a flexible and varied manner. The situation over the past 2 years shows that some fields which should be controlled with the plan have not been controlled well and some which should be developed freely have not developed freely. We must conscientiously sum up the experiences in this respect and constantly raise the consciousness in regard to implementing this principle.

The production and circulation under the state plan is the main part of our country's national economy. All important economic targets which are related to the major portion of the national economy and the purchase, distribution and allocation of important industrial and agricultural products which have a bearing on the national economy and the people's livelihood must be covered by mandatory state planning. The relatively important products and enterprises should be covered by guidance planning in line with the demands for developing the national economy. Our province has a large population and broad markets. The contradictions between the supply and demand for raw materials and fuel and between the production and marketing of some commodities are relatively prominent. In the light of this situation, the following four problems will emerge in formulating and implementing the plan and we must constantly pay attention and handle them correctly. First, in terms of major agricultural crops, from arranging for planting acreage to delivery and marketing of products, the state plan must be strictly implemented. In particular, this should be stressed in regard to grain. It is the most important task of our province's agriculture to ensure food for the 70 million people in our province and to meet the constantly increasing demands for grain in various fields. We should proceed from this principle at any time and plant crops strictly in line with the plan. To encourage the peasants to plant grain, the provincial people's government will formulate the policy of giving special treatment to grain producing areas in supplying the major means of agricultural production so as to give the peasants in such areas good prospects for grain. Second, as for the industrial products covered by mandatory planning, industrial departments must produce and market them in accordance with the plan and commercial and supplies departments must purchase and allocate them in line with the plan. Except for the portion which should be retained by enterprises in line with the regulations, allotments of steel, iron, coal, cement, major chemical and industrial raw materials, chemical fertilizer, pesticide, agricultural machinery and tools and other means of production must be carried out in line with the plan. No enterprise is allowed to retain more of them and no locality and department is allowed to pocket part of them in the course of allotment. Any unit which violates the allotment plan will be investigated to establish its responsibility and the deficient portion must be made up in the next year. Third, as for agricultural sideline produce which is subject to unified and compulsory purchase, the plans and targets should be assigned to each level of production units. Collectives and individuals must undertake their duties assigned by the state and ensure fulfillment of these state-assigned plans with good quality, proper amounts and on schedule. The purchasing departments must protect the interests of the masses and purchase their products in line

with the plan and in a timely manner. To ensure the needs for industrial production, urban and rural markets and foreign trade, these departments should by no means reject or delay purchases. Fourth, to guarantee a comprehensive fulfillment of the state plan, it is necessary to protect the plans by respecting them as a form of law. In the last 3 years of the Sixth 5-Year Plan period, the economic contracting system should be instituted in the spheres of production and circulation so as to enable the production. Exchange, distribution and consumption of products to link together, to promote one another and to condition one another. The signed contracts should be strictly executed by both sides under the supervision of the industrial and commercial administrative and management departments. Those which violate the contracts must assume economic responsibility in accordance with the regulations of contract law.

Bringing into full play the supplementary role of market regulation is a necessary supplement for planned production and commodity circulation and an important measure for invigorating the economy. Hereafter, on the premise of making use of production plans to control large projects, it is necessary to resolutely lift restrictions on small projects so as to enable the law of value to spontaneously regulate production and circulation. Peasants, after fulfilling state assignments, are allowed to sell their surplus farm and sideline products, excluding cotton, through various channels. Commercial and supply and marketing departments are allowed to purchase these surplus products at negotiable prices. Peasants and individual business firms may conduct free transactions and transport their goods for sale at outside markets. No department should interfere at all in their business. The original measure, in which each industry is responsible for selling its products, and the provisions in which product sales must be examined and approved by the authorities are totally rescinded. Industrial enterprises, except for production assigned by the state, are allowed to buy raw materials themselves in order to increase output to fill market demand, and they are also allowed to sell these products freely. Industrial departments are allowed to sell by themselves products remaining after the fulfillment of the state's purchasing plan and after the purchases and selective purchases of commercial departments. They are also allowed to entrust commercial departments with the responsibility for selling these products and to conduct joint production and sales operations with commercial departments. It is necessary to let enterprises make flexible arrangements for the production and sale of minor commodities listed in multiple categories. The industrial and commercial administration departments and the departments concerned in charge of revenues, commodity prices, public security and transportation should, in line with the demands of favorably regulating markets and invigorating the economy, revise their original regulations and rules so as to support or safeguard normal business transactions, prevent or eliminate illegal business, maintain normal order in socialist markets and promote production in an effort to have the economy flourish in both urban and rural areas.

6) Adopt active measures to accelerate the pace of developing intellectual capabilities.

The development of the economy and the country's prosperity not only depend on a steady increase in investment in production and construction, but also on emphatically developing intellectual capability so as to upgrade the scientific and cultural standards of the entire Chinese people. The program of achieving the four modernizations will have no hope without a large number of intellectuals and thousands upon thousands of laborers who are well acquainted with modern science and technology. Over the past long period, owing to insufficient attention paid to knowledge, we have vigorously racked our brains and exerted all-out efforts to improve the backward economic situation, rather than putting great investment in improving the backward areas of science and technology. This is an important reason for the slow development of undertakings in education, science and technology. As the country's old saying goes, "It takes 10 years to grow trees, but a hundred to rear people." Bringing up experts has always been a long-term capital construction project. The trend in this regard will become more and more negative if we fail to vigorously grasp this project. By approaching the issue from the high plane of strategy, the people's governments at all levels should adopt active measures to accelerate the pace of developing intellectual capability.

The first important task in accelerating the pace of developing intellectual capability is to bring into full play the role of contemporary intellectuals. At present, there are 406,400 various specialized and technical personnel across the province engaged in the work of natural and social sciences. They are the foundation of our knowledge resources and the previous property of the country. Since the Third Plenary Session of the 11th CPC Central Committee, our party has made great efforts to bring order out of chaos in theories, principles and policies on intellectuals, greatly upgraded the social status of intellectuals, improved somewhat the working and living conditions of intellectuals, promoted a large number of outstanding intellectuals leading posts, and gradually brought into play the role of intellectuals. However, we must acknowledge that the problem of discriminating against intellectuals has not been totally eliminated because of the long-standing influence of the leftist line. As of now, some persons still have serious prejudices against intellectuals and the resentment of implementing the party's policy on intellectuals. A large number of outstanding and ambitious intellectuals full of knowledge and ability have not been employed. Some intellectual comrades who have studied hard and engaged in painstaking research are often criticized as seeking personal fame and benefits. Some who have made more contributions to social welfare after official hours are often unfairly criticized. A large number of scientific and technological personnel whose expertise is not suitable to their jobs have not been adequately transferred. The working and living conditions of some intellectuals have not been improved in due time. All this has dampened the enthusiasm of intellectuals. On the question of how to correctly understand and treat knowledge and intellectuals, Comrade Hu Yaobang, in his speech at the rally in commemoration of the centenary of the death of Marx, thoroughly summed up historical experiences and lessons and stressed the need to establish the correct concepts that

scientific and general knowledge must be valued, that intellectuals are a part of the working class and that all leading personnel must strive to be experts. We should continue to study and understand the guidelines of the speech and to correct the erroneous viewpoints and methods of treating intellectuals. Governments at all levels should conduct general inspections on the implementation of the policy toward intellectuals and adopt resolute and effective measures to solve existing problems. Intellectuals who are not properly positioned should have their work rationally adjusted as soon as possible. Trans-professional and trans-regional transfers should be effected by personnel departments in a unified manner. Efforts should be made to solve the intellectuals' problems of poor working and housing conditions by all possible means. If these problems cannot be solved by the units or departments to which the intellectuals belong, local governments or departments in charge at higher levels should take responsibility. Most important, in implementing the policy on intellectuals, we should trust them politically, respect their work ability and show concern for their lives and see to it that they are used to best account and their ability is acknowledged and properly used. Exceptions should be made to promote to leading posts fine intellectuals who have real ability and learning and a strong sense of respect for their work, particularly those who are middle-aged, and they should be entrusted with heavy responsibilities.

Intensifying training of qualified personnel and improving the scientific and educational levels of the people throughout the province are the basic ways to develop intellect capability. When developing education in a planned manner and running schools of various types at various levels, we should also vigorously develop education of workers and peasants and have rotating, on the job training for functionaries. This task is all the more important viewed from our immediate needs. All offices and enterprises should continue their make-up classes in order for their young and middle-aged workers to acquire a junior middle school educational level or to study primary technical knowledge. On this basis, they should conduct specialized training for workers to study the knowledge they need in their work or to study whatever they lack. Education of staff and workers should be conducted frequently and be regularized and systemized at an early date. Large enterprises should establish training centers while medium-sized and small ones may establish joint classes or ask authoritative departments at higher levels to run classes in a unified manner. Rural communes and brigades should further improve peasant evening schools, peasant spare-time technical schools and other various agrotechnical training classes to raise the political and educational levels of commune members and popularize scientific and technical knowledge. In particular, we should sponsor technical training for junior and senior middle school graduates of past years who have settled in the countryside so that they can better perform their functions in the agricultural modernization drive. In-service training of cadres should be conducted in rotation and, in general, cadres should leave their offices to attend full-time training for 6 months every 3 years. We should formulate policies which encourage cadres and the people to attain competence through independent study. Those who pass the examinations sponsored by examination committees should have their schooling acknowledged and their ability developed. We should strive, by 1985, to enable the actual technical level of the province's young and middle-aged staff and workers rise

by one or two grades, to enable more cadres to attain secondary vocational school or college levels and to enable a great number of workers, peasants and other young people to become, through self-study, qualified construction personnel who possess certain professional knowledge and specialized skills.

In order to accelerate development of intellect capabilities, we should arouse the enthusiasm of all quarters and open up new sources of funds. In 1982, our expenditures on education and scientific and technical undertakings amounted to 23.8 percent of total local expenditures. In the future, following a gradual increase of revenue, we should continue to increase investments in these fields. However, to pin our hopes merely on an increase in allocated funds is not enough in our efforts to increase the investments in the undertakings aiming at developing intellect capability. These undertakings should be carried out by the state, the collective and the masses. We should pin our hopes on the whole people. It is necessary to encourage and support various localities and departments to invest in colleges and universities, secondary vocational schools and cadres' schools and mobilize all economic departments to increase their investments to improve their subordinate colleges and universities, secondary vocational schools and technical schools. In principle, urban vocational schools should be jointly run by the competent economic departments, enterprises and educational departments with funds allocated by the economic departments and enterprises. Funds needed in turning ordinary middle schools into secondary specialized agricultural schools, agrotechnical middle schools and agricultural middle schools should be mainly pooled by communes and brigades and the departments concerned. The state will continue to allocate funds to rural primary schools, as planned. However, communes and commune members should basically rely on their own efforts to improve school conditions and to raise the wages for their teachers. Except for training cadres of party and government organs, all departments and enterprises are responsible for funding the training of their own cadres. In order to expand sources of funds for scientific and technical undertakings, scientific research units should receive compensation for the transfer of their research findings, set aside a certain amount of the compensation money for use in awarding research personnel and leave most of the money to be used as funds for developing science and technology.

5. Greatly Strengthen Establishment of the Socialist Spiritual Civilization

In order to fulfill the Sixth 5-Year Plan, we should unswervingly uphold the principle of simultaneously attending to the socialist material and spiritual civilizations, greatly strengthen the socialist political, ideological and cultural undertakings, upgrade the people's communist ideological awareness and morality and ensure the healthy development of economic construction.

To promote socialist spiritual civilization, we should widely and persistently carry on the "five-stress, four-beauty and three-love" activities, educate the masses of cadres and people to cherish deep love for the motherland, socialism and the party and, following up last year's efforts in changing "dirtiness, disorder and impoliteness," improve service, establish good order and create a beautiful environment. Governments at all levels should strengthen leadership over these activities. All departments and units should

formulate plans suited to their specific conditions, work out measures and establish and improve civility and courtesy responsibility systems, so that more people can be aroused, more solid work done, and better results achieved. Through these activities, we should encourage cadres and the masses to serve the people, be responsible to the people and contribute more to the four modernizations, break away from old ideas, habits and customs of their own accord, willingly establish better work ethics in production units, offices and the service trades, strictly abide by professional ethics and discipline, fulfill their work duties and facilitate improvement in social conduct. Large-scale publicity should be given to collectives and models advanced in the "five-stress, four-beauty and three-love" activities and extensively carry out activities to learn from Lei Feng and from the advanced and to foster new habits, so that the communist ideas and the moral character of wholeheartedly serving the people, placing public interests before private interests and willingly help others can be further enhanced. The people throughout the province should learn from Zhao Chune, model communist party member and the fine daughter of the people; from Jiang Zhuying, Luo Jianfu and Lei Yushun, outstanding representatives of the intellectuals and fine scientific workers; from Zhu Boru, the living Lei Feng; and from Zhang Haidi, fine CYL member and provincial model worker. Comrade Zhang Haidi, a young woman suffering from paralysis, has a strong will despite her illness. She struggles against her illness indomitably, seizes every minute and second to study general, scientific and professional knowledge with an iron will, strives to master skills to serve the people and selflessly devotes herself to the people. She has set a brilliant example for us in answering the basic question of "why people live." The purpose of learning from Zhang Haidi and other heroic and model persons is precisely to learn from their noble communist ideology, their communist style of placing the revolutionary cause, work and other people before everything else and their spirit of exerting themselves to the utmost for the communist cause, and to promote the "five-stress, four-beauty and three-love" activities.

Intensified ideological and political work is the basic form and method of promoting socialist spiritual civilization. Our current efforts to implement the Marxist principle on material interests and to emphasize current policies for achieving socialism must never be taken as an abrogation or relaxation of ideological and political work. We must never slacken our efforts to resist the erosion by the bourgeois ideology. The more we deepen the reforms and relax economic policies, the more we should strengthen ideological and political work. Otherwise, we will probably fix our eyes on immediate interests only and forget long-term, basic interests. The fundamental task of ideological and political work under the new historical conditions is to educate the masses of cadres and people on the basic theory of Marxism-Leninism-Mao Zedong thought and the communist ideology, to urge them to uphold the four basic principles and to overcome nonproletarian ideologies and various erroneous tendencies, and to enhance their ability to understand and transform the world, so that more and more people will become laborers who have ideals, moral character and education and abide by discipline. We should systematically educate the masses of staff and workers, particularly young workers, to love the socialist motherland, to foster communist ideals, to establish communist labor attitudes and communist morality and to attach importance to

knowledge and scientific and technical progress. We should raise their political awareness and realm of spirit and enhance their sense of responsibility as masters of the country and their sense of discipline. Regarding peasants, we should conduct in-depth and systematic education to help them shatter the shackles of feudal customs and old traditions, raise their political awareness in loving socialism, the state and the collective, establish a firm belief in the party's various rural policies, foster the idea that it is glorious to achieve prosperity through diligent labor and to make more contributions to the country, carry forward the style of unity, friendship, mutual help among neighborhoods and support to the weak and the poor, and build new social relationships between individuals, between individuals and collectives and between collectives. Ideological and political education should be started when people are young. All universities, middle and primary schools should open political classes as stipulated, instill the students with communist ideology through education by positive examples, organize them to study the history of modern China and enhance their national self-respect and national confidence so that they will become a new generation with lofty ideals.

We must rely on developing the socialist democracy to ensure and support the building of the socialist material and spiritual civilizations. We must spread socialist democracy to the political, economic, cultural and social lives of the people so as to enable them to better exercise their power of being masters of their own affairs. Industrial and commercial enterprises must further promote and improve the worker congress system. Rural production teams must hold meetings of commune members at regular intervals and all major issues must be decided through discussions by the masses so as to gradually achieve mass autonomy in the grassroots social life. We must closely integrate the building of socialist democracy with that of the socialist legal system. We must give full rein to the functions of the public security departments, guarantee the democracy, safety, and legal rights of the people and deal blows to all antisocialist, hostile elements and all serious criminals. The new constitution adopted at the Fifth Session of the Fifth National People's Congress is a general charter for managing state affairs and giving the state peace and security in the new period as well as a general program guiding the people in China to carry out the four modernizations drive. We must continue to study and publicize the new constitution in depth and educate the people to enhance their ideas of the legal system, to consciously struggle against all violations and to be models in observing the new constitution. It is necessary to resolutely implement all state economic laws and regulations and, in line with the stipulations of the constitution, formulate necessary local economic laws and regulations so as to gradually lead economic activities into the orbit of the law. We must continue to deal blows to serious criminal activities in the economic and other spheres, further consolidate social order, strengthen social order, and strive to achieve significant improvements in social conduct so as to create favorable conditions for the smooth implementation of the Sixth 5-Year Plan.

Fellow deputies, strengthening the ideological construction and workstyle of government organs, rectifying government workstyle and improving work efficiency are important points for building socialist spiritual civilization as well as

necessary conditions for ensuring the smooth implementation of the Sixth 5-Year Plan. Governments at all levels must strengthen unity among new and old cadres, persist in centralized leadership, give fuller play to democracy, consolidate and develop the patriotic united front, listen to the voices of the masses, respect the will and desire of the masses, guarantee the legitimate freedom and rights of the people, and prudently listen to the criticism and opinions concerning government work of various democratic parties, non-party democratic personages, and patriotic personages from all walks of life. Efforts must be made to educate government personnel to firmly foster the idea of serving the people, production and the grassroots units, maintain close ties with the masses, show concern for the hardships of the people, be honest in performing their official duties, and not seek private gains. Leading cadres must take the lead in correcting unhealthy tendencies. At present, special attention should be paid to resolutely check the unhealthy tendencies in building and distributing houses and in illegally shifting rural household registration records to urban areas, and leading cadres must strive to be examples for the people in achieving a fundamental turn for the better in social conduct. During the last 3 years of the Sixth 5-Year Plan, the economic readjustment, system reform, production construction, and other spheres of tasks will be very arduous. Governments at all levels and all personnel must adhere to the realistic ideological line, break with old conventions, be brave in carrying out reforms and blazing new trails, to be bold in making prompt decisions, and handing down final verdicts on all things that are right and carry them through to the end in a down-to-earth manner until satisfactory results are attained. Governments and personnel must be brave in exposing contradictions, correctly handle the relations of all spheres, distinguish between right and wrong, support correct ideas, resolutely correct the unhealthy phenomena of shifting responsibility onto others and disputing over trifles, go into reality to keep in touch with the masses, get first-hand information through investigations and study, try to find out the laws, set forth new regulations and methods as work guidance, and strive to overcome red tape--too many official meetings and documents--and bureaucratic workstyle. We believe that with the support and supervision of the people throughout the province and their collective wisdom and strength, we certainly will build the governments of all levels into competent governments.

Fellow deputies, the socialist modernization construction is a great cause and it needs the indomitable spirit of the broad masses of people and their creative labor and protracted hardships and efforts. We won a great victory during the first 2 years of the Sixth 5-Year Plan. The year 1983 is crucial to inheriting the past and ushering in the future during the Sixth 5-Year Plan period and is of great significance in winning an all-round bumper harvest this year, maintaining a substantial growth in industrial production, doing all spheres of work well, achieving the Sixth 5-Year Plan and speeding up the four modernizations. We must integrate the current work with the longterm objective, mobilize the people throughout the province to deepen the implementation of the correct program and a series of principles and policies defined by the 12th National Party Congress, unswervingly promote reform, unite as one, work diligently, work realistically and painstakingly, and struggle to comprehensively fulfill the Sixth 5-Year Plan and to develop the ever-changing modernization construction undertakings.

ECONOMIC MANAGEMENT

TAX-FOR-PROFIT SYSTEM IN BEIJING

HK201033 Beijing JINGJI GUANLI in Chinese No 3, 5 Mar 83 pp 28-30

[Article by the Financial and Banking Group of the State Council Economic Research Center: "Beijing Enterprise Leaders Discuss the Question of 'Tax in Lieu of Profit'"]

[Text] In December, 1982, the State Council's Economic Research Center, in conjunction with the Beijing Economic Committee, convened some enterprise leaders for a symposium on how to implement the system of "tax in lieu of profit" in all the enterprises, taking into account the pilot experiments on implementing the "tax in lieu of profit" system in our enterprises. Persons in charge of the matter in the Beijing Municipal Economic Committee, planning committee and financial office, enterprise leaders of Beijing Optical Instruments Factory, Guanghua Timber Factory, Number 2 Chemical Factory, Ginghe Woolen Mill, and refrigerator factory, which were carrying out a pilot experiment on implementing the system of "tax in lieu of profit" as well as enterprise leaders of Beijing Appliances Factory, chemical factory, number 1 cotton mill, spirit distillery and printing machine factory, which were using the profit retention system, attended the symposium.

All the comrades attending the symposium unanimously endorsed the suggestion of quickening the pace of implementing the system of "tax in lieu of profit" put forward by Comrade Zhao Ziyang in his report on the Sixth 5-Year Plan, holding that implementing in enterprises the systems of "tax in lieu of profit" and assuming sole responsibility for own profit and loss represented a firm step in the direction of integrating the responsibility, power and interests of an enterprise, and was something which should be affirmed. A factory manager said: After listening to Comrade Zhao Ziyang's report, I feel very enthusiastic, for now we know which way to go.

In the second half of 1980, Beijing Municipality started carrying out pilot experiments in 10 state owned enterprises on implementing the systems of "independent accounting, tax in lieu of profit and assuming sole responsibility for own profit and loss," providing that: while ensuring the fulfillment of all the targets set out in the state plan, an enterprise should pay "four taxes and two charges" as prescribed by the state and be held responsible for its own profit or loss. This system requires an enterprise to pay an industry and commerce tax first, then an adjustment tax which is levied on its turnover

(a tax rate is fixed for each individual enterprise) and then 40 percent corporate income tax and a 5 percent tax for town development, the remaining income being retained by the enterprise; out of this amount of income, the enterprise is to pay a charge on the occupation of fixed assets (2 percent) and a charge on the occupation of working capital (2 to 5 percent) as well as repay loans to get its net income, which will be apportioned according to fixed ratios to build up the enterprise's various funds.

The comrades present at the symposium held that pilot experiments in the past] and 1/2 years had proved that implementing the system of "tax in lieu of profit" in our enterprises had distinct superiority for reasons recapitulated herebelow:

First, remarkably better economic results have been achieved, and a steady income growth for both the tax authorities and tax payers has thus been ensured. During the 2 years, although some manufactured goods could not sell while the economy was in the process of being readjusted, the above-mentioned 10 pilot experimental enterprises which had implemented the system of "tax in lieu of profit" showed, for the period between 1979 and 1981, an 11.5 percent annual increase in total output value on an average and a 16.5 percent annual increase in profit on an average, while the taxes they paid on each 100 yuan's worth of output rose to 39.54 yuan in 1981 from 37.54 yuan in 1979. All these figures were higher than what was achieved by the other enterprises. Of the total profit yielded in the 2 and 1/2 years, 82.4 percent went to the state while 17.6 percent was taken by the enterprises and thus the state got a larger share than provided for in the profit retention system. But the situation was somewhat different in 1981. In 1981, the net profit went up by 26.79 million yuan over 1980, of which 7.65 million yuan or 28.6 percent were turned over to the state as taxes and charges and 9,784,000 yuan or 36.5 percent were used as repayment of loans, these two items amounting to a total of 17,434,000 yuan or 65.1 percent; the enterprises received 9,356,000 yuan or 34.9 percent, a percentage which was slightly too high while the total premium for workers went up only by 163,000 yuan relative to the previous year, amounting to only 0.5 percent of the additional net profit.

Second, the system of "tax in lieu of profit" is superior to the profit retention system. The system of "tax in lieu of profit and assuming sole responsibility for own profit and loss" puts enterprises under greater pressure than the profit retention system. The major manifestations are: first, since the rates of taxes and charges are more stable than the rates applied in the profit retention system and cannot be adjusted in normal circumstances, levying taxes and charges on enterprises make the state revenue stable and helps remedy the drawbacks of letting an enterprise share its profits without holding it responsible for its losses. Second, funds covering expenditure on research and technology, expenditure on development of new products and depreciation funds, are all left with the enterprise. Apart from appropriations for capital construction, the state does not appropriate anything else from enterprises, neither does it appropriate any more working capital. Although there is an increase in the financial resources at the enterprise's disposal, the risks and responsibility grow substantially because of the disappearance of the system of "unified income and unified expenditure" as the patron; third, 20

percent of the payroll varies as the after-tax profit fluctuates and a substantial drop in the profit of an enterprise will thus adversely affect its workers' income; this means that the personal interests of the workers are more closely dependent on their enterprise's economic results. Since this represents an inner driving force for an enterprise to develop production and achieve better economic results, it uproots the cause of a dependent mentality in the enterprise and strengthens the economic responsibility system. The factory manager of Beijing Optical Instruments Factory said: After the implementation of the system of "tax in lieu of profit, the burdens are borne directly by the enterprise and in the last 2 years, the office of factory manager has been more tiring than in any of the previous 10-odd years; now, whoever takes the office of factory manager never takes his eyes off the figures in the business accounts. Everybody in the factory is taking great pains to prune away unnecessary expenditures and save a bit of money on every item of expenditure, regarding the factory as part of its own life. Breaking the "iron rice bowl" is the basis for a pilot enterprise to achieve better economic results.

Third, stimulating the enterprises to find a way out of the course of readjustment the economy by making full use of their strong points and averting the effects of their weak points. Hardly had the pilot experiments on enterprise reform started when the national economy entered the phase of further readjustment. Half of the experimental enterprises were forced to curb or cut back production and encountered difficulties in selling their products. The tasks assigned to them according to the state plan were not sufficient and for some of the enterprises, although there was a production plan, the products could not sell, for the state had ceased to market their major products as the sole agent. This situation not only adversely affected the fulfillment of the financial tasks vis-a-vis the state, but also produced a direct negative effect on the income of the enterprises and their workers. As a result, the enterprises were pushed to take the initiative in changing the direction of service in the light of the demand, adjusting their production structure and strengthening their management so as to make up for the insufficient tasks assigned to them according to the state plan. In the past, Beijing Optical Instruments Factory had cried out for replacing old product lines by new ones, but achieved practically nothing. Having implemented the system of "tax in lieu of profit" for less than 3 years, the factory changed its product mix completely. In 1982, its major products were, apart from 6-second theodolite and optical balance, all new products and the factory became our country's leading enterprise in selling theodolite line.

Fourth, the growth of enterprises, financial strength has promoted technical transformation and welfare work for workers at enterprise level. The system of "tax in lieu of profit" has fixed the ratio between the profit share of the state and that of the enterprises and thus given the enterprise a relatively stable amount of financial autonomy. The method used in Beijing consists of raising the depreciation fund which is left with the enterprise from 50 percent (or 70 percent) to 100 percent (the total amount left with the 10 pilot experiment enterprises as depreciation funds reached 21,478,000 yuan in 1981), reserving 2 percent of the total profit yielded for the enterprise to spend on developing new products and providing a credit line for the enterprise to carry

out scientific research and adopt measures of a technological nature, the credit line being calculated on the basis of the average loans granted in the 3 years prior to the pilot experiment. The enterprise is allowed to make an overall financial plan by pooling the above-mentioned funds. Thus, the enterprise now possesses the conditions to develop on its own and also ponders things before taking action. The funds owned by the 10 enterprises themselves which have switched to the system of "tax in lieu of profit" amounted to 69.09 million yuan in 1981, an increase of 23.3 percent over the previous year. Of this amount, 31.77 million yuan or 46 percent was used for technical innovations and transformation, toxic waste treatment and development of new products and 11,899,000 yuan or 17.2 percent was used to build dormitories. In 1981, number 2 chemical factory drew from its reserve fund 2.36 million yuan to treat toxic waste and completed a total of 31 large and small technical transformation projects.

At the symposium, some comrades questioned the problems emerging during the pilot experiments on implementing the system of "tax in lieu of profit" as well as some of the methods used in the reform. Their main worries can be summarized as follows:

(1) They fear that an enterprise which has shifted to the system of "tax in lieu of profit" would become a relatively independent economic unit and be responsible for all of its profit and loss. The state, although leaving the depreciation fund to the enterprise, would not invest any more. Deprived of this financial source, the enterprise would be thwarted in carrying out technical transformation, extending reproduction and developing its activities in other areas. Beijing Chemical Factory is one of the largest chemical reagent production bases in our country, producing one-third of our country's chemical reagents. It has produced a total of 4,000 kinds of products, of which 1,300 are being manufactured at present, out of which 260 kinds are being manufactured at a loss. In the past, in order to develop new products and modernize the backward chemical reagent industry, the National Economic Committee, Scientific Committee, the Ministry of Chemical Industry and Beijing Municipality all made investments to bolster the factory. But the system of "tax in lieu of profit and assuming sole responsibility for own profit and loss" would, the factory feared, prevent it from developing new products, for only profitable products would be manufactured while those incurring a loss would be dropped. Thus, not only would the fulfillment of its production and scientific research tasks be hampered but there would also be negative effects on the "four modernizations." Besides, since this factory is an old enterprise, its tasks of treating the "three wastes" and replacing and rebuilding equipment were very heavy. If, after the implementation of the system of "tax in lieu of profit," the state stopped investing in these areas, the enterprise would not be in a position to raise the required funds and thus would not be able to carry out its technical transformation programme as scheduled.

(2) Some enterprises feared that the levying of the adjustment tax which is charged on the basis of the turnover would aggravate the situation which favors some enterprises to the detriment of others. Since the profit level of an enterprise is more closely connected with the price factor, when it has switched to the "tax in lieu of profit" system, it is unfavorably placed to

compete with enterprises not subject to the system of "tax in lieu of profit" and enterprises owned by the collective, and thus will take on greater business risks. For instance, since it is required to respect the "profit and loss break-even point," Beijing Number 2 Chemical Factory is not allowed to sell its polyvinyl chloride at less than 1,663 yuan per ton while Tianjin Chemical Factory, which is not subject to the system of "tax in lieu of profit" and has only the industry and commerce tax to pay, can lower its price to 1,400 yuan per ton to compete with Beijing Number 2 Chemical Factory, which is thus found in an unfavorable position. In the past 2 years, Guanghua Timber Factory has paid 47 percent more for timber allocated by the state. Besides, less timber originating from the northeast was allocated to it by the state whilst the timber imported from Malaysia was of low quality, high price, low utilization rate (30 percent for imported timber and 41 percent for national timber) and poor color and lustre and was often made useless by woodworm. Thus, its costs went up substantially. But since many enterprises at district and county level undercut prices regardless of cost, Guanghua Timber Factory was forced to lower prices to sell in the face of its competitors who undercut timber prices. Although its costs went up, it paid the same adjustment tax levied on the basis of its turnover. As a result, it made little profit or no profit at all on some of its products. This combined with the rise in timber prices reduced the factory's income by 1,637,000 yuan in 2 years. Therefore, some comrades suggested that the adjustment tax should be levied on the basis of average social labor and a limit should be set to the profit due to price variations.

(3) Some fear that the implementation of the system of "tax in lieu of profit" will sharpen the contradiction between planned production and rational enterprise management. Some comrades have raised the following queries. In the past, an enterprise could use financial subsidies to make up for the losses due to implementing state policies and enjoyed tax exemption for new products at the test stage. But how can we make sure that the enterprise will not drift from the course provided for in the state plan and will survive and develop since it is responsible for its own profit and loss after the implementation of the "tax in lieu of profit" system? Will some enterprises be more prone to making highly profitable products only by "making a great effort when big profit is expected, making little effort when small profit is expected and making no effort when no profit is expected" as their motto, and even engaging in speculation, and resorting to outbidding and other illegal tactics? As pointed out by Beijing Number 1 Cotton Mill, if the factory may arrange its production and product mix according to the optimal scheme under its present production conditions, it will be able to raise its output value by 0.6 million yuan while this increase will be impossible if the production is run according to a mandatory plan. Taking on implantation and etching devices for another instance, these are apparatuses ancillary to large scale integrated circuits. They are key products to be developed in our country and are on the embargo list of the West. Beijing Appliances Factory (which is not a pilot experimental unit) has undertaken to produce them on a trial basis. But since the technology required is highly sophisticated, the factory can definitely not make any money. If "the state wants more variety while the local authorities want more profit and tax," the enterprise finds itself caught in between. Therefore,

the enterprise hopes that instead of subjecting it to uniform tax rates, preferential tax treatment can be granted.

(4) There is the fear that after implementing the "tax in lieu of profit" system, the enterprise's burden will become heavier, for it will have to pay more to the state in the form of tax and profit while the problem of unnumberable items of "expenditure sharing" remains unsolved. Enterprise leaders have voiced their views strongly. Now the society is run by enterprises. In the past when "everybody ate from the same bit pot," enterprises did not care very much about it. Now that the "tax in lieu of profit" system is implemented, the enterprises have to brace up to face the new circumstances. Otherwise, their "iron rice bowl" will be broken while the society also takes away a slice of pie from the enterprise by adopting coercive measures. This kind of irrational redistribution system should be stopped by means of economic legislation. Otherwise, the superiority of the "tax in lieu of profit" system will be nullified due to the multifarious deductions.

At the symposium, comrades present also put forward some detailed suggestions as to how to take the initiative in quickening the pace of implementing the "tax in lieu of profit" system in a steady manner. The major points are recapitulated below:

(1) It is hoped that the implementation of the "tax in lieu of profit" system, which is a reform in our financial system should keep pace with the reform of our national economic system as a whole. The financial system of Beijing still consists of unified income and expenditure accounts and therefore any further reform will involve changes in the central government's revenue and expenditure. The 10 enterprises in Beijing, which are carrying out pilot experiments on implementing the "tax in lieu of profit" system did not have the Finance Ministry's approval to do so. The municipality provided that these 10 enterprises could raise their depreciation rate by 0.5 percent. But after being applied for 1 year, this rate stopped being applicable last year when the general financial inspection campaign took place. Since reforms at higher levels are out of step with reforms at lower levels, not all the measures aimed at giving enterprises which have undertaken to carry out pilot experiments greater amount of autonomy are implemented, neither are all the measures relating to the reform fully implemented. As a result, the reform has not been able to produce all the expected effects. For instance, it is provided that 20 percent of the payroll may vary in proportion to the increase in profit. But since the enterprises dare not use the part of wage fund they are entitled to for profit increase, up to now the wage reforms have taken place only in isolated cases. There are also rather rigid rules governing foreign exchange revenue sharing, nomination and removal of cadres and other matters. These problems which have not been solved have made it hard for enterprises adopting the "tax in lieu of profit" system to assume full responsibility for their own profit and loss.

(2) It is hoped that, instead of reverting to the dual tax and profit turnover system, the reform of "tax in lieu of profit and assuming sole responsibility for own profit and loss" will be pursued. In the opinion of all the participants, the key to speeding up the implementation of the "tax in lieu of

"profit" system lies in the introduction of an adjustment tax which may narrow income gaps on the one hand and arouse enthusiasm in advanced enterprises on the other hand. As regards what adjustment tax rate should be used, according to one opinion, an average profit ratio should be determined for each trade so that the adjustment tax may be commensurate with profit in that the above-average profit will be taxed on a progressive basis. But according to another opinion, if the tax is commensurate with profits, advanced enterprises are likely to be penalized. Therefore, the adjustment tax should be levied in inverse portion to the above-average profits so that it will not become a disincentive.

In short, the "tax in lieu of profit" system has been well received by the grassroots enterprises. Not only have the pilot experimental enterprises demanded to keep the system, but other enterprises which have relatively good conditions for implementing the "tax in lieu of profit" system have also asked to go this way one after another. As to those enterprises which have not achieved noticeable economic results since the implementation of the "tax in lieu of profit" system, they have also expressed their wish to be kept in the reform ranks, instead of being "expelled." This indicates that although the "tax in lieu of profit" system puts greater pressure on enterprises, it also induces enterprises to convert consciously this pressure into a driving force. Here lies the vitality of the "tax in lieu of profit" system.

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FINANCE AND BANKING

CONTROL OF EXTRA-BUDGETARY FUNDS STRESSED

Beijing CAIZHENG [FINANCE] in Chinese No 3, 8 Mar 83 pp 5-8

[Article by Jin Xin [6855 9515]: "Strengthen Management of Extra-Budgetary Funds--Improve the Effectiveness of Funds Utilization"]

[Text] For more than 30 years, along with the development and changes in our nation's socialist construction, the extra-budgetary funds of our nation have gone through a course of formation, development and change. In general, there have been three tremendous changes: (1) Rapid growth. Extra-budgetary income in 1981 was already more than 60 billion yuan, a 66 fold increase over 1953, for an average yearly increase of 14 percent. This rate has far outstripped the growth rate for budgeted income. (2) Great structural change. The proportion of extra-budgetary funds managed by the Ministry of Finance in 1953 was 15.7 percent and was reduced to 6.9 percent by 1981, while the proportion of various special project funds managed by enterprises and their responsible departments rose from 67 percent in 1953 to 79 percent in 1981. (3) Extra-budgetary funds as a proportion of state budgeted income rose from 4 percent in 1953 to 60 percent in 1981. These changes not only reflect the changes in the source and structure of extra-budgetary funds, but also reflect the changes in the position and functions of extra-budgetary funds.

For more than 30 years, extra-budgetary funds have been a component of the financial network and have played a definite and active role in national economic construction, the major aspects being: (1) They have ensured the funding needs of certain specialized undertakings. (2) Each department and unit can suit measures to local conditions and flexibly arrange the development of undertakings, which is beneficial to speeding up the technical advance of enterprises. (3) They have mobilized the enthusiasm and sense of responsibility of each department and unit in regard to managing finances, which is beneficial in improving economic results. (4) They have reduced the difficulties of the state in regard to forming a budget. Turning over some specialized and singular projects to departments to manage provides a reliable guarantee that their needs will be funded. But it must also be noted that, because there are many channels for extra-budgetary funds, the volume of funds is great and their development very rapid, and the management of funds has not kept pace, a number of problems truly exists. The prominent problems are: the funds have enlarged the scale of capital construction, lengthened the capital construction battlefront, affected key state construction

and, to a definite extent, exacerbated the shortages in energy and transportation; in willingly expanding extra-budgetary fund projects, instances of disorderly apportionment and fee collection have become more serious; switching budgetary income to extra-budgetary income has affected the stability of the state budget; there are many loopholes, and instances of extravagance, waste, graft and embezzlement have occurred. Although these problems are caused by various things, they make it clear that strengthening the management of extra-budgetary funds has already become an urgent task. Below, I discuss several ideas regarding this matter:

1. Raise the Awareness of Strengthening the Management of Extra-Budgetary Funds

The Party Central Committee and the State Council attach great importance to the management and use of extra-budgetary funds. In his report to the fourth session of the Fifth National People's Congress, Premier Zhao Ziyang pointed out: "Along with the enlivening of the economy and the expansion of local and enterprise jurisdiction over finances, the amount of funds outside the state budget will gradually increase--these presently represent approximately one-half of the national budgetary receipts. The combination of these funds and the funds within the state budget, with comprehensive arrangements, inclusion in planning and reasonable utilization, can serve a very great function. Many things can be handled by using these funds, which will reduce the burden on the state." In his report at the 12th Party Congress, Comrade Hu Yaobang pointed out: "Realizing our strategic objectives in the coming 20 years requires that the state collect the needed funds, establish clear priorities and carry out key construction." In accordance with the guiding spirit of these leading comrades of the Party Central Committee, the state has already adopted certain measures, such as the raising of funds for key energy and transportation construction, which are advances over the present state of extra-budgetary funding. Each level and department of every locality also attach great importance to extra-budgetary funds. Under the leadership of the municipal government, the city of Anyang in Henan Province has launched full scale work on sorting out extra-budgetary funds to uncover a clear picture, to lay a base for adjusting extra-budgetary funds and to begin test drafting comprehensive financial credit plans. Certain provinces, such as Heilongjiang, Jiangsu and Henan, and municipalities and autonomous regions have also established corresponding methods for managing extra-budgetary funds and have gained a lot of experience.

However, at present there remains many viewpoints and doubts about strengthening the management of extra-budgetary funds: some feel that "the right to allocate extra-budgetary funds is mine, why should you concern yourself;" some feel that "you can't draw oil from water, and there is still a great deal of blame to spread, undertaking a thankless task so why should I concern myself with that;" some feel that "the situation is complicated and hard to manage;" and some worry and are

afraid of being taken advantage of--"what measures do you want to adopt to make off with the funds," etc. In short, there exist the notions of not allowing management, of not wanting to manage, of not being willing to manage and of fearing losses even if funds are managed well. Obviously, these notions are incorrect. The primary reason that these notions exist is a lack of understanding of the nature, the function and the importance of strengthening the management of extra-budgetary funds. Because of this, we must unify understanding and clear up certain vague notions of policy.

(1) What are extra-budgetary funds? Extra-budgetary funds are fiscal funds which, in accordance with state stipulations, are not counted in the budget and which are collected and spent by localities, departments and units themselves. First, extra-budgetary funds are fiscal funds. They are not credit funds, nor social funds in any broad sense. Extra-budgetary funds are a part of the national income which has passed through financial administration and been redistributed. Of course, some of this comprises compensatory funds. Secondly, extra-budgetary funds are fiscal funds which are collected and spent by localities, departments and units themselves, which is to say that it is stipulated that the right of expenditure and use of these funds belongs to the localities, departments and units--the funds are different from the income and expenditures in the state budget. Thirdly, although extra-budgetary funds are collected and spent by units themselves, they are still fiscal funds and must be included in comprehensive fiscal planning in order to achieve a comprehensive balance, and this then determines their special character of being outside the budget while needing to be included in planning. Fourthly, all extra-budgetary funds are subject to state regulation and disposition. What sort of funds are kept outside the budget and the scope of the projects involving extra-budgetary funds must all be determined and handled in accordance with the stipulations of the State Council and departments authorized by the State Council. It is not permissible to expand the uses of extra-budgetary funds at will.

(2) Concerning the role of extra-budgetary funds. For more than 30 years, the scope of extra-budgetary funds has been gradually enlarged, the amount of the funds has gradually increased and the roles they have played has taken on more and more importance. To sum them up, one role can be to mobilize the enthusiasm of localities, departments and units and to strengthen their sense of responsibility. Extra-budgetary funds are collected and spent by organizations themselves with the revenues supporting expenditures. This leads units to show concern for organizational revenue and to be frugal in expenditures. A second role can be to guarantee the development of specialized undertakings. Some specialized projects are designated to be funded by special extra-budgetary funds, which ensures that funds will not be squeezed out and that tasks involved in the special project can be completed. A third is that in handling some loose revenue and expenditures outside of the budget, the state can concentrate its major efforts on key construction projects. It is very necessary to have extra-budgetary funds.

(3) Can we fail to concern ourselves with extra-budgetary funds? We feel that strengthening the management of extra-budgetary funds is an objective requirement of a planned economy and is a key link in strengthening the comprehensive balance in funds and doing a good job in handling comprehensive financial credit plans. Our nation is a socialist nation, carrying out a planned economy and requiring a comprehensive balance in the entire movement of state funds, and to accomplish this we must draw up a comprehensive financial credit plan. This plan should include state budgetary funds, extra-budgetary funds and credit funds. In terms of our nation's present situation, there is a relatively complete state budget system with relatively complete legislative procedures, and there is also a relatively complete system of credit funds. Where we are relatively weak is in extra-budgetary funds, and this portion of funds is increasing year by year, as its position and function within the entire state funds movement becomes more and more important. Therefore, strengthening the management of extra-budgetary funds is already a matter of some urgency.

(4) Strengthening the management of extra-budgetary funds requires that financial departments at every level do research and come up with a set of management methods that are suited to the nature and present situation of extra-budgetary funds. This method is neither one of unified receipt and expenditure, nor one of relaxed free flows. We must pay attention to overcoming one-sidedness and cannot, in speaking of strengthening management, pool all money, grasping the handle of the knife ourselves; nor can we, in speaking of fostering enthusiasm, release all money and refuse to manage things. This requires that we undergo a change in the guiding ideology of management. We must, under the premise of not changing the rights to allocate funds, distinguish situations, adopt methods such as policy guidance, planning coordination and balanced linkage, engage in overall arrangements, combine the macroscopic with the enthusiasm of the microscopic and, in keeping with this sort of guiding ideology, establish concrete management methods.

2. Strengthen the Basic Principles of Extra-Budgetary Funds Management

(1) We must correctly delineate the scope of extra-budgetary funds. The authority to decide the scope of and the projects to use extra-budgetary funds lies with the State Council. No locality, department or unit has the authority to move on its own to increase the projects involving extra-budgetary funds or to expand the scope of extra-budgetary fund use. Based on this principle and according to stipulations presently in effect, extra-budgetary funds mainly include the following five aspects: (1) All extra and amassed enterprise renovation and reform funds, retained profits from county-run enterprises, etc., which are controlled by financial departments at every level in localities. (2) Extra-budgetary funds controlled by enterprise administrative units, including income from road maintenance charges, forestry funds, income from miscellaneous middle and elementary school charges, etc. (3) Every specialized fund controlled by enterprises and

the major responsible departments in enterprises, including major repair funds, every form of retained profits, enterprise funds and other specialized funds. (4) Income from enterprises outside of the budget and after income tax profits from enterprises which are collective in name but belong to the entire people in fact. According to estimates, income and after tax profits in 1981 for these types of enterprises throughout the province amounted to more than 2 billion yuan. (5) Other funds that are approved for special projects by the State Council and departments authorized by the State Council and that are placed outside of the budget. For example, approved development project funds for substituting coal for oil, local construction material development funds, civil aviation passenger service funds, etc.

(2) Beginning with the actual situation in extra-budgetary funds, we must uphold the principle of an unchanging policy and an unchanging right of fund allocation. First, we must clarify that extra-budgetary funds set up according to state stipulations are legal, both those set up in the past and those at present, and even though their scope may change and the projects involved can be increased or decreased, as long as they were set in accordance with state regulations, their legal status will not change and we will maintain continuity in policy. Further, authority for determining the scope of and the projects involved in extra-budgetary funding is concentrated in the State Council and departments authorized by the State Council. Thirdly, the right to allocate extra-budgetary funds uniformly belongs to localities, departments and units, except when others are stipulated by the state as having this right.

(3) We must manage and use extra-budgetary funds well in accordance with the principles and policies of the Party Central Committee and in ways prescribed by the state. The use of funds must accord with the principles and policies of the Party Central Committee. What is developed, what restricted, what guaranteed, what reduced or eliminated, what given priority, what held secondary--all must be determined in accordance with the principles and policies of the Party Central Committee. The direction of fund use and the ordered assignment of importance and urgency to funded projects must accord with the overall demands of policy. We must first ensure that funds are used for stipulated projects. As an example, enterprise innovation and reform funds should be used for the renewal of equipment and the advancement of technology in existing enterprises. Highway maintenance fees should be used in maintaining existing highways. Forestry care funds must first go to guaranteeing the development of the forestry industry. Funds must be used strictly in accordance with stipulations and no unit can, of its own accord, raise expenditure standards; nor can it merely decide to give welfare awards; nor can it independently enlarge the scale of construction; nor can it operate enterprises that should be controlled by the state.

(4) A basic requirement for strengthening the management of extra-budgetary funds is carrying out plan management. We still lack experience in the area of carrying out plan management of extra-budgetary funds. Initial considerations should include the following several points:

First, extra-budgetary funds are state financial funds. The source and utilization of the funds should both be included in the comprehensive state financial credit plan, creating a comprehensive balance. In using them, units must adhere to the control and guidance of the state plan. Strengthening plan management with regard to extra-budgetary funds, but without carrying out unified collection and expenditure, is the unique requirement in managing extra-budgetary funds well. Secondly, the key to strengthening plan management is to strictly control the use of extra-budgetary funds to expand the scale of capital construction. For several years now, a large amount of extra-budgetary funds have been used in capital construction. A very large portion of all autonomously planned capital construction has been carried out with extra-budgetary funds. To a certain extent, we lost control of the scale of capital construction in 1982. This is related to the excessive use of extra-budgetary funds in capital construction. I should also point out that some of the capital construction carried out with extra-budgetary funds was not really construction urgently needed by the state and some, in the overview, was duplicate construction. Since last year, the Party Central Committee has a number of times stressed controlling the scale of capital construction. The State Council also issued "Supplementary Regulations Concerning the Strict Control of the Scale of Fixed Asset Investment," emphasizing "upholding the seriousness of the plan and strictly controlling the scale of fixed asset investment in accordance with the plan." This scale includes: "investment included in the state budget, autonomous investment, investment made possible through bank loans, use of foreign funds, and every kind of capital construction and renovation and reform measures made possible by specialized funds. Every province, municipality and autonomous region and every department must strictly uphold the plan and may not exceed it." Documents of the State Council also stipulate that "the source of funds for autonomous investments of every prefecture and every department must be proper. Any funds in excess of the sanctioned autonomous investments must be added to key energy and transportation funds. Local and departmental financial reserves, all special project funds and extra-budgetary funds must, after duties in regards to purchasing state treasury certificates and contributing to key energy and transportation construction funds have been fulfilled, first go to guarantee that the needs as regards normal expenditures and equipment renovation and technical reform of enterprises have been met, and then may go toward arranging needed autonomously planned capital construction. The use of any form of apportionment of investment loans to banks is strictly prohibited. Diversion of circulating funds, improper apportionment of costs or withholding financial income from higher levels in order to make autonomous investments is strictly prohibited." These should become the guidelines to which we must adhere in order to strengthen the management of extra-budgetary funds and to control the scale of capital construction. Thirdly, another key is to guide enterprises and ensure that they use collected renovation and reform funds and the retained-profits production development funds mainly in the areas of equipment renovation and technical advance of existing enterprises. The problem at present is that very few of the enterprise renovation and reform funds are truly

used for equipment renovation and technical advance--some departments figure that only 30 percent is used this way, while the other 70 percent is used on capital construction-type expenditures to expand production capacity. Additionally, according to model surveys, approximately 60 percent of all renovation and reform funds go to land reform. Units are only concerned with extensive changes, not with intensive changes, only with the expansion of quantity, not with the improvement of quality. This situation has not basically changed. Through strengthening the planned management of extra-budgetary funds, we should guide the use of that portion of extra-budgetary funds controlled by enterprises and the major responsible departments of enterprises toward equipment renovation and technical advance. This is a major problem connected with realizing our 20-year strategic goals. Fourthly, in the use of all funds, we must strive for effectiveness and improve economic results.

3. The Basic Requirements of 1983 Extra-Budgetary Funds Management Work

In 1983, we must work even harder in the area of extra-budgetary funds management, achieving new developments and adding new brilliance to our great cause.

(1) Clarify the situation. Through our work in 1983, we must carry out penetrating and detailed research concerning the projects, channels, amounts, uses, management methods, effects, testing, problems and other aspects connected with existing extra-budgetary funds, striving to clarify the entire situation at present. Clarifying these details is a basic condition needed for strengthening the management of extra-budgetary funds; it is the foundational work and should be seriously undertaken.

(2) In order to strengthen the management of extra-budgetary funds, we must establish the needed management methods and systems in 1983. There must be a plan for the year and every department and unit must draw up extra-budgetary funds revenue and expenditure plans for the year and submit them to the financial department at the same level, and financial departments at every level must collect data and report upward, each level to the next. Implementation must be examined and the situation with regard to the handling of extra-budgetary fund revenues and expenditures must be reported once every 6 months. There must be accounting for funds, and extra-budgetary funds must be given independent accounting and be kept on independent ledgers. Revenues and expenditures must be supervised and gradually a financial supervisory system for extra-budgetary funds must be established.

(3) Existing extra-budgetary funds must gradually be sorted out and reorganized. Through a thorough aligning of existing extra-budgetary funds, we should preserve and strengthen the management of those that are reasonable and legal; those that ought to be placed in the state

budget should all be included in the budget and should no longer be allowed to be collected and expended outside of the budget; and those extra-budgetary funds that were established without authorization and in violation of state regulations should be resolutely banned. At present, there are a large number of every kind of apportioned charges, but they are not to be confused with extra-budgetary funds, and they must also be reorganized according to stipulations.

(4) Financial departments at every level must establish complete extra-budgetary funds management organizations, with full complements of personnel. As I understand it, the financial offices (bureaus) of provinces, cities and autonomous regions such as Heilongjiang, Jilin, Beijing, Nei Monggol, Henan and Hunan have already set up extra-budgetary funds management sections, while some provinces have already set up extra-budgetary funds management organizations at every level from province to county. Most provinces are preparing to establish corresponding organizations after reporting to local party and government leaders during organizational reorganization. The matter of organizational personnel is a very important one. They will be an organizational guarantee of strengthening the management of extra-budgetary funds. In accordance with the concerned stipulations of the Party Central Committee and the State Council, we must get a firm hold on establishing complete extra-budgetary funds management organizations, provide the necessary personnel and strengthen this aspect of work.

At the 12th Party Congress, Comrade Hu Yaobang raised the call for a comprehensive breakthrough in socialist modernization construction. There is a lot of work for our financial departments to do--strengthening the management of extra-budgetary funds, establishing comprehensive financial credit plans, achieving a comprehensive balance in funds and improving the effective utilization of funds are important jobs facing us, and we should seriously undertake them and achieve results.

9705

CSO: 4006/437

MINERAL RESOURCES

ORE PROSPECTING REVIEW IN SHAANXI, FUTURE OUTLOOK ASSESSED

Beijing TANKUANG GONGCHENG [PROSPECTING ENGINEERING] in Chinese No 1, 1983 pp 6-8

[Article by Zhou Changmou [0719 2490 6180] and Wang Longxiang [3769 7893 7534] of the Special Ore Prospecting Committee of the Shaanxi Geological Society: "A 30-year Review of Ore Prospecting and Outlook"]

[Text] According to historical records, the coal in Tongchuan and Hancheng in Shaanxi and the petroleum at Yanchang were developed and utilized before the Ming Dynasty. But because of the decadence of old China before Liberation, only the Tongchuan coal mine operated one Model 300 drill in our province. The Yanchang oilfield used an impact drill to drill a few holes. Truly large-scale prospecting work began officially only after Liberation.

Since 1952, the ministries of geology, coal, metallurgy, nuclear industry (Second Ministry of Machine Building), and building materials, and the departments of hydrological engineering and surveying and water conservancy have continued one after the other to establish prospecting, surveying, and drilling teams. After 30 years of buildup, the whole province now has a specialized team of more than 20,000 people with complete technical equipment and accessories and full engineering means. Each year, about 200 drilling machines are operated. With the nearly 500 drilling teams of the communes and larger jurisdictions, the prospecting force in Shaanxi is fairly sizable.

I. Organization and Buildup of the Specialized Team

In 1951, the Northwest Resources Prospecting Department was established in Xian. Then, Team 642 was organized and established in Weibei to prospect for coal-fields. In 1952, the Northwest Bureau of Geology of the Ministry of Geology was founded. In the same year, the Northwest Ministry of Industry organized an engineering geology drilling and prospecting team. In 1953, the Ministry of Coal transferred four drilling machines from the Northeast Yingcheng coal mine and organized the Tongchuan Regional Drilling and Prospecting Team. In 1957, the Northwest Geological Surveying Bureau of the Second Ministry of Machine Building began operating a drilling machine in southern Shaanxi. The Ministry of Metallurgy transferred a drilling machine from Anshan, and in 1958 it established the Metallurgical and Geological Prospecting Company. The provincial Prospecting and Surveying Institute has undergone several reorganizations

and divisions, and since 1954 it has been in charge of surveying and construction for municipal, national defense, and capital construction projects. There are also the Shaanxi Geological Prospecting Brigade of the Geology Company of the Ministry of Building Materials, the Geology Team of the Chemical Industry of the Ministry of Chemical Industry, prospecting teams of coal mines, the geological team of the Provincial Hydroelectric Design Institute, the prospecting companies of the First Ministry of Machine Building and the Fourth Ministry of Machine Building, the provincial underground waterwork team, the ore-prospecting research laboratory of the Xian branch of the Academy of Coal Mining Sciences, and the 00928 and 00534 troops of the Chinese People's Liberation Army. At present, there are more than 30 ore-prospecting units above the level of county and regiment throughout the province, 37 city and county underground waterworking teams, and 23 mechanized wellworking teams. Ore-prospecting, surveying, and drilling personnel have covered 196,000 square kilometers throughout the province. They have worked with dedication in harsh environments and made great contributions to socialist construction.

II. Achievements of 30 Years of Work

Over the past 30 years, every sector in our province established its ore-prospecting, surveying, and drilling teams from scratch. They grew in size, developed rapidly, and reached a fairly large scale. Technical equipment constantly underwent renovation and improvement, and now the equipment is of a relatively advanced standard. The technological methods can be basically adapted to the needs of geological prospecting work. Construction was carried out in several dozen types of mines in the northern Shaanxi plateau, the Guanzhong Plain, and the Qinbashan area. Surveying and development of underground water resources were carried out in a broad number of towns and villages, and engineering and geological surveys for building railroads, factories, mines, and reservoirs were conducted. According to incomplete statistics, drilling and prospecting work for more than 6.2 million meters and pit-prospecting work for more than 300,000 meters have been completed. Several dozen types of mineral resources and several hundred ore-producing localities have been found, and a reliable reference for the construction and development of our province's industry and agriculture has been provided. Vanguard geological prospector workers have been cherished and respected by the broad ranks of the people.

Over the past 30 years, geological departments have completed mechanical core drilling of 1.75 million meters and pit prospecting of 100,000 meters, provided more than 100 ore-producing localities of industrial value, and located more than 20 large and medium-size mineral beds of molybdenum, phosphorus, mercury, and gold, some of which have already been built into factories for exploitation. The Jinduicheng mine is a famous large mine. The profits submitted by it constitute a large portion of those turned in by the enterprises of the whole province. The two hydrogeological teams belonging to the Bureau of Geology conducted general surveys of underground water resources throughout the province, surveys of the water supply for the cities of Xian and Baoji, and engineering and geological surveys for large-scale water-conservancy projects and railroad building. Their achievements have been reliable. They also took charge of supplying water to farmlands and sinking wells to support other places.

The coal departments completed more than 1.8 million meters of rock core drilling and prospecting and provided more than 140 geological reports of various types. The coal reserves in the province ranked fourth in the nation.

The metallurgical department placed emphasis on prospecting various types of metallic ore, metallurgical materials, and potash feldspar. Over the past 30 years, it completed 1,177,000 meters of rock-core drilling and prospecting and 106,000 meters of pit prospecting, and found 66 types of mineral beds.

Ore-prospecting projects of the nuclear industry also developed rapidly. All measures, from general surveys to prospecting, have become indispensable and important methods. The nuclear industry turned its efforts toward the five provinces and regions in the northwest. In Shaanxi alone, 1,002,000 meters in drilling and prospecting projects and 68,000 meters of cavern prospecting were completed. They found a definite quantity of uranium ore resources and contributed to national defense construction.

The provincial construction committee's surveying department has conducted engineering and geological drilling and prospecting of more than 200,000 meters for large-scale capital construction projects of the state, drilled and prospected more than 300,000 meters of hydrological water wells, conducted hydrological tests for construction, provided more than 2,500 water wells, completed surveying for urban planning for the cities of Xian and Yan'an, conducted water supply surveys, and constructed groups of wells as sources of water.

In addition, the survey and prospecting teams of the building materials sector and the chemical industry sector carried out construction in nonmetallic mineral beds of asbestos, graphite, mica, gypsum and limestone; completed footage of more than 50,000 meters; and did a lot of work to develop building materials and chemical products. Other departments have also contributed to our province's hydrological and engineering projects and capital construction. Especially in the sinking of wells for water for farmland, well irrigation has developed from the original dozen counties throughout the province to more than 70 counties as a result of the cooperative efforts of underground waterworking teams and related departments. There are 160,000 wells, and the annual amount of underground water extracted is more than 2 billion cubic meters. The area irrigated by wells has reached 14.3 times that prior to Liberation. The problem of drinking water for more than 3.6 million people and 600,000 head of large livestock in the mountains that originally lacked water has been solved.

III. Developments in Technical Equipment and Ore-Prospecting Technology

At the beginning of the 1950's, our province's engineering work in drilling and prospecting was carried out almost entirely with hand-operated drills. The equipment was simple, the methods were singular, and the productive efficiency was very low. Water supply and transport relied mostly on animal and manual transport. Screwing, unscrewing, and drilling tools were all manually operated. Labor intensity was high. Pit prospecting relied on drill steel and big hammers and other such primitive tools. As the national economy developed, the broad number of workers continued to carry out technical renovation in production, continued to import new equipment, tools, and instruments, popularized new technological methods, and thus fundamentally changed the situation in ore prospecting.

During the mid-1950's, we began to import hydraulic drills from Sweden and the Soviet Union. After the 1960's, these were gradually replaced by various types of domestically manufactured hydraulic drills. In the 1970's, we developed and imported fully hydraulic drills and electronic drills with parametric instruments. The metallurgical sector used rotary drills widely. Hydrological projects gradually abandoned the impact drill and changed to the use of various types of domestically produced fixed and wheel-based hydrological waterwell drills. Other equipment, such as engineering drills, sampling drills, material prospecting drills, pit and tunnel drills, and sand drills, gradually came to be used in production. Equipment for sinking wells in agriculture also developed from the original bamboo operated by man to large pan drills, rocket drills, and various types of mechanized forward and reverse cycle drills, and there were also many types and models of centrifugal pumps, long axle pumps, and underground water pumps.

Pit prospecting efforts followed the principle of developing air-powered and electrically powered equipment and internal combustion equipment, and pit prospectors were gradually equipped with double-unit hydraulic rock drill carts, shuttle mining cars, rock-loading machines, internal combustion tractors, and battery-powered cars. They built mechanized operating lines for deep tunnels. At the same time, research in ventilation and dust prevention in long tunnels made progress. Working conditions in tunnels improved. The content of dust and of toxic and harmful gases dropped to within the standards allowed by the state.

In the technology of ore prospecting at present, we have already begun to use diamond and cable drills for core extraction. We have tested the method of impact rotary drilling. We have popularized the use of reverse cycle jets and many types of core extraction and sampling tools, various types of parametric instruments, well-logging instruments, and incline-measuring instruments. We have used clay powder and low solid phase mud and various types of chemical agents, conducted many types of protective wall plugs, and carried out tests for the prevention or correction of slanting, as well as for directional drilling. Hydrological drilling and prospecting efforts have used the method of lowering the pipes once for extracting water by separate layers, and chemical and physical methods of washing wells and jet drilling. They have all obtained better results.

IV. Technical and Scientific Research Achievements

Over the past 30 years, there have been many achievements in production and scientific research. Only a few examples are cited here:

1. The geological department's Daan Team in 1958 set a national record by tunneling 656.5 meters in one month with a single drill. The Jinduicheng Team successfully used the reverse cycle drilling method and guaranteed the completion of the geological report. In 1973, a geothermal well 2,000 meters deep was 1,650 meters. In 1974, a naked-hole prospecting well 5,205 meters deep was completed in Guanzhong--the deepest hole in the whole nation at the time. In 1978, the geological department successfully developed an electroplated drill head. In 1979, the entire bureau operated 20 diamond drills, constituting 44 percent of the total number of productive drills used in mines. In 1980, the hydrological waterwell drill achieved a single path depth of over 500 meters.

2. The metallurgical department has paid a lot of attention to mud. It has especially established a laboratory to conduct chemical analysis of the clay from various localities in the Northwest. In 1970, it successfully developed carboxymethyl cellulose, and later the cellulose was widely used in drilling, prospecting, and production. In 1977, it successfully developed the "301" chemical protective wall and plugging material, and in recent years it has successfully developed asphalt mud. All have showed visible results in protecting walls and in lubrication.

3. The nuclear industry used the pulse-governor battery cart, the noncontact rock loader, silicon-controlled charger, fan for automatic control of smoke, and remote-controlled automatic switch and such electronic techniques on the basis of realizing mechanization of deep tunneling. They have created conditions for the semiautomation of tunneling. The monthly efficiency of all workers in cavern prospecting increased from 0.21 meter in the 1950's to 3.4 meters in the 1970's. The monthly efficiency of the drilling and prospecting machine also reached 346 meters, doubling that of the 1950's.

4. The provincial surveying department successfully tested the method of lowering pipes and extracting water by separate layers in 1959. In 1973, it successfully developed the four-head filter pipe hole borer. It realized automatic operation in pressurization, retrieving the drill, shifting and turning angles, and improving work efficiency threefold. In 1974, it cooperated with other departments to complete the trial development of the Red Star-400 waterwell drill. In 1975 it successfully developed the Model ZK-50 fully hydraulic drill, which has the four functions of impact operation, revolving operation, vibratory operation, and static pressure operation.

5. The coalfield prospecting department used the mechanized water supply top-leaking drill successfully in the areas where water leakage occurred. In the 1950's, it caught up with the nationally advanced standard, and in the 1970's it successfully tested the method of plugging leakage with fluid sawdust and bottom entry of fly pipes [sic: literal]. These greatly improved the monthly efficiency of the machinery. In 1979, the efficiency reached 368 meters, with the highest team reaching 500 meters. The Xian Branch of the Academy of Coal Mining Sciences successfully developed the YG_{4C} hard alloy, the removable three-winged drill head, the Red Flag 700 model^{4C} and the Zhongzhou 500 model hydraulic drills, and the fully hydraulic tunnel drill. The coalfield's Team 139 successfully developed a drilling parameter instrument. The "three-eight" drill of that team set a record for tunneling 8,012.7 meters in the year 1979.

V. Outlook for Ore Prospecting

The southern part of our province, the Qinbashan region, is very rich in metallic and nonmetallic ore. The Ordos Basin is in the north; petroleum and coal resources are buried there. In Guanzhong and Weibei, the underground water table is deep. How to develop and utilize them is a key subject for agricultural and industrial development. Although we have a relatively strong foundation in ore prospecting, there is still a large gap in production techniques between our nation and abroad. To promote the development of ore prospecting in our province, we should strengthen the following tasks in a key way in the future:

1. We should strengthen cooperation among production, scientific research, and teaching units; emphasize the study of basic theory; develop the function of technical personnel; gradually strengthen scientific research and design capabilities; gather and organize basic data; summarize technical experiences and achievements; organize workers to learn the theory of their specializations; and continue to improve the scientific and technical standards of one's own science.

2. We should import, study, and popularize new techniques, new technological processes, and new equipment, and develop equipment that has many varieties and methods that have many technological processes, such as various types of hydraulic equipment, carloading equipment, composite drilling and prospecting equipment, mechanized accessory equipment for tunnels, diamond drilling and cable drilling for core extraction, impact rotary drilling, and geothermal and deep-well drilling.

3. We should strengthen technical exchange activities, information exchange activities, and academic exchange activities among the departments and units, do a good job of cooperation, use our advantages to make up for our shortcomings, and make improvements together.

9296

CSO: 4013/160

INDUSTRY

LOOTING OF COAL IN DATONG CITY BECOMES SERIOUS PROBLEM

Beijing GONGREN RIBAO [WORKERS' DAILY] in Chinese 31 Mar 83 p 3

[Letter to the Editor by Datong Newspaper reporter Yuan Zhonglian [5913 6988 0081]: "Looting of Coal Is Serious In Datong City; The Department Concerned Should Attach Sufficient Importance To This"]

[Text] Comrade Editor: All along its short transportation route, coal in Datong City in Shanxi is being looted by the masses. At first it was stolen on the sly in small amounts, then later in broad daylight. This has resulted in the nation's coal moving in large quantities into private hands. At the same time this has caused great difficulties for transportation safety.

Datong City is one of our nation's most important coal bases. Large and small coal mines are spread throughout the area. In addition to rail transportation, trucks transporting coal on all the highways pass in a never-ending stream. Many specialized trucks have to make five trips a day from the coal mines to the coal repository.

In the beginning, once the trucks transporting the coal came to a halt, a few people would steal a little coal on the sly. But because efforts to prevent this were not enough, it later developed into looting openly in broad daylight. At the very least this involved three to five people; at the most some 50 or 60 individuals have banded together to steal the nation's coal. The thieves mostly gather along turns in the highways, steep hills, rivers, railroad crossings and near the coal repository. When the trucks reduce their speed or come to a halt, they swarm all over them. Some use iron hooks to pull large lumps of coal down. Others climb onto the trucks and shovel the coal out with spades. Specialized trucks transporting coal in Datong City every day number at least 1500 vehicles. Calculating daily theft of coal at 100 kg per vehicle, 150 tons are stolen every day, which comes to a grand total of 54 thousand tons of coal in one year. Adding in the loss of coal from carts in the society which haul coal, then in actuality the coal stolen far exceeds this figure.

Since the beginning of last winter, the practice of looting coal has become more serious. It not only involves youths in their prime of life but old men and women and children in their early teens as well. There is even the case in Fengzhen County in Nei Monggol in which hordes of peasants leading horse-drawn carts went to steal the coal. According to 8 December 1982 statistics from the vehicular unit of the Mining Industry Company, nearly 10 tons of lump coal was stolen in one day.

The looting of the nation's coal not only causes the nation to lose coal, but it also creates traffic accidents. Over the past year coal looters have been crushed to death under the trucks or seriously injured. Cases in which people have fallen to their deaths from the top of the trucks or have been seriously injured have occurred time and again. In mid-March of last year a 13 year old male member of the Guojiapo Production Brigade climbed up on a truck to steal coal. He fell off and both legs were crushed under the truck, resulting in him being permanently disabled. Last May the 14 year old son of retired worker Huo Riliang [7202 2480 0081] from the Red Flag Cement Factory used an iron hook to pull coal off a truck. He was dragged under the truck and crushed to death. In mid-November of last year, worker Yang Xueqiang [2799 1331 1730] from the Yungang Mines crawled up on a truck to move a large lump of coal, fell off and died at the scene of the accident.

Editor's Note

[Text] A reporter went to the Coal Department for an interview. That Department's Allocation and Transport Bureau reported that looting not only occurs during transport on highways. Many of the nation's railways which are allocated coal from such mines as Shandong's Zaozhuang Mine, Anhui's Huainan and Huaibei Mines, Jiangsu's Xuzhou Mine, and Henan's Pingdingshan Mine, have experienced similar situations during coal transport.

Coal loaded into cars for transport out of the area from Huainan's coal mine is often stolen from the railway's marshalling yard station. In the most serious instance, after a 50 ton coal car was looted, only 13 tons remained. At the marshalling yard station of Huainan's Wangfenggang Railway, a comrade who halted the looting was beaten and suffered injury. At the Kouquan station of the Datong mining business office, there are some 20 or 30 families who "eat off the railway," spending their time looting coal. They have virtually made a specialized business out of looting coal.

Looting coal is flagrantly plundering the nation's assets. It not only influences energy supply for industrial and agricultural enterprises and the people's livelihood, it also seriously disrupts social order, law and discipline. Desiring to put a halt to this kind of phenomenon requires the Departments of Railways, Communications and Public Security, and especially every level of political leaders in the party, to attach sufficient importance to this situation and take practical and effective measures to deal with it.

12360

CSO: 4013/195

INDUSTRY

SHAANXI READJUSTS LOCAL DEFENSE INDUSTRIES

Xi'an SHAANXI RIBAO in Chinese 26 Jan 83 p 2

[Article by Hua Guangdao [7202 1684 4470]: "Our Province's Local Defense Industries Are in the Process of Readjustment; Disposing of Old Products and Producing New Products in Large Quantities; 1982 Annual Value of Output More Than Double That of Previous Year and Profits Increased over 700 Percent"]

[Text] Our province's local defense industries, which are in the process of readjustment, have realistically concentrated on reforming product structure, halting unmarketability and keeping up with sudden need, and have disposed of old products and produced new products in large quantities. In the last 3 years, they have finally breathed new life into the enterprises. The situation as a whole has flourished and very marked economic results have been achieved.

Local defense industries have been the first to be affected in the readjustment of the national economy. In 1980 none of our province's local defense industries basically had any assignments. It can be said their heads were shorn of hair [JPRS note: free from care]. The situation in that year was a sudden turnabout from a time the industries' leaders were helpless and without a plan of action. Staff and workers felt insecure. What was the way out? After carrying out investigation and analysis, leaders from five provincial machinery bureaus made a prompt decision to reform boldly product structure and readjust production principles according to the special characteristics of the local defense industries, namely that the plants were small and flexible and easy to readjust. The principles which they followed were: to bring about the unity of the military and civilians, with military articles as primary; to concentrate on urgently needed articles of troop equipment which are in short supply; to produce the articles quickly; break through the barrier to foreign exporting and force their way into the international market. Local defense industrial plants are small with few personnel and their technical force is limited. It would be difficult for them to change to producing new product lines independently. Thus the bureaus selected a unified leadership to carry out a united method, that is, large and small defense industries organize coordination, and inner departments in each plant of the small defense industries organize coordination, and defense industries organize coordination with local industries. For example, the 1980 pilot project producing the 26 inch "Jade Rabbit" brand bicycle was produced by cooperative efforts of seven factories. Thus that year they were able to produce

2000 prototypes after setting up the assembly line. In 1981, they produced 50 thousand bicycles and in 1982 produced 150 thousand bicycles. In the last 3 years our province's local defense system has produced over 3 types of new products every year, all due to the cooperative efforts of several factories.

Reforming product structure has revitalized our province's local defense industries and has made them ever more productive. In 1980 it was estimated that they would produce a deficit of 6 million yuan. But after great efforts were expended, in actuality the deficit turned into profit, producing a profit of 1.08 million. In 1982 great progress has been made with the annual value of output having increased 110 percent over the previous year and profits having increased 700 percent. This year, calculating according to the tasks assigned, value of output should quadruple over that of 1980 with profits more than 1 thousand percent greater.

12360

CSO: 4013/195

INDUSTRY

TECHNOLOGICAL SUCCESS IN RUBBER PRODUCTION

OW191241 Beijing XINHUA in English 1201 GMT 19 May 83

[Text] Beijing, 19 May (XINHUA)--Scientists at the Chinese Academy of Sciences have made a major breakthrough in a petrochemical process which may eventually double output of synthetic rubber, according to academy sources.

The discovery of a new catalyst in the oxidation and dehydrogenation of butene and a major project on the academy's research program, was done by scientists at the Lanzhou Institute of Physical Chemistry.

Production with the new catalyst at the Jinzhou No 6 petrochemical works has been going on for 1,500 hours. An additional factor with the new catalyst is that pollution in the existing work process can be much reduced, academy sources said.

Scientists at the Lanzhou Institute of Physical Chemistry and the Shanxi Institute of Coal Chemistry joined efforts in the mid-1960's to develop new technology for production of butadiene, used in production of synthetic rubber. However, the production process devised then with a less selective catalyst discharged heavy pollutants.

Scientists at the Lanzhou Institute continued their search to find a new catalyst and were finally successful.

CSO; 4010/64

INDUSTRY

MACHINE BUILDING MUST SERVICE RURAL ECONOMY

OW200015 Beijing Domestic Service in Mandarin 1200 GMT 18 May 83

[Text] At a meeting that ended today on how the machine-building industry can best serve the rural economy, it was pointed out that in serving agricultural production, the machine-building department should regard gearing production to the peasants' every need as their basic guiding principle. The meeting decided that the machine-building industry should direct its resources to the production of small machinery and electrical products that are badly needed by the peasants.

Speaking at the meeting, Vice Minister He Guangyuan of the Ministry of Machine Building, said that the new trend in agricultural production calls on the machine-building industry to develop not only the production of machinery for grain production, but also the production of machinery for a diversified rural economy. At present, emphasis should be placed on the production of machinery for processing farm and sideline products; machines for the livestock, fishery and forestry industries; machines suited to local energy-supply and conservation conditions; and machines for rural transportation as well as testing and analysis instruments and meters for farm use.

He Guangyuan called on cadres, staff members, workers, engineers and technicians in the machine-building departments to mobilize all resources and do a good job in serving the developing rural economy.

CSO: 4013/221

INDUSTRY

BRIEFS

LSI PRODUCTION--Beijing, 11 May (XINHUA)--For the first time, China has started to produce, in quantity, large-scale integrated circuits for 4-bit microcomputers. At a meeting recently held by the Ministry of Electronics Industry, the integrated circuits are rated as stable, less expensive and advanced in design. They are as good as their foreign counterparts. These integrated circuits are the product of the Dongguang Electrical Engineering Factory, Beijing. [Summary] [OW180829 Beijing XINHUA Domestic Service in Chinese 0115 GMT 11 May 83]

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CONSTRUCTION

REGULATIONS DRAWN UP FOR DESIGN OF CONCRETE STRUCTURES

Beijing JIANZHU JIEGOU [ARCHITECTURAL STRUCTURES] in Chinese No 1, 1983 pp 1-2

[Article by Mo Lu [5429 6726] of the Regulations Compilation Group: "'Regulations for the Design of Light Steel Aggregate Concrete Structures' (JGJ 12-82); Brief Introduction"]

[Excerpt] Editor's Note: Our nation began studying, producing, and using light aggregates in 1956. By the end of 1980, 5 million square meters of light aggregate concrete structures had been built, and the scope of use has been gradually expanding.

Our nation has abundant resources of natural light aggregates. Heilongjiang Province alone has an estimated reserve of more than 10 billion cubic meters of pumice, scoria, and lava from volcanos. Each year, more than 50 million tons of waste dust and waste slag and such industrial wastes are released by factories, according to incomplete statistics. But our development of these natural resources and utilization of industrial wastes are far behind the levels of other nations of the world. To promote the study and use of light aggregates in our nation, the Building Research Institute organized 32 related scientific research units, production units, design units, and higher educational institutions throughout the nation according to the requirements stipulated in the "1978-1980 Plan for the Development of Architectural Science and Technology" drawn up by the former State Capital Construction Commission in 1978 to begin studying the techniques of using light aggregate concrete structures. After 3 years of effort, a set of "design regulations for steel reinforced light aggregate concrete structures" was compiled on the basis of experimental research and investigation and summarizing existing engineering practices and experience. The regulations were promulgated on a trial basis on 1 December 1982.

To help the broad number of readers understand and use the regulations, this magazine is publishing in this issue, and will publish in the next issue some of the research achievements related to the regulations as reference.

General Situation

The <<Regulations for the Design of Light Steel Aggregate Concrete Structures>> (JGJ12-82) are based on the requirements of the "1978-1985 Plan for the Technical Development of Architectural Science." The Building Research Institute and 32 related units throughout the nation organized a cooperation group on scientific research in special topics. It conducted a lot of experimental research in the properties of structural members of pulverized coal ash and ceramsite concrete, waste coal rock concrete and pumice and cinder concrete. It compiled the regulations by summarizing and analyzing the experience of our nation's engineering practice and scientific research achievements, and incorporated related domestic and foreign experiences.

Those participating in the writing of these regulations included: the Structural Research Institute of the Building Research Institute, the Shanghai City Building Research Institute, the Liaoning Provincial Building Research Institute, the Heilongjiang Provincial Low Temperature Building Research Institute, the Tianjin City Architectural Design Institute, the Northeast Architectural Design Institute, the Xian Municipal Architectural Design Institute, Tongji University, Zhejiang University, the Harbin Architectural Engineering College, Gansu Industrial University, Taiyuan Engineering Academy, and Xian Metallurgical and Architectural College--a total of 13 units.

Light aggregate concrete is a new type of light, strong, and multipurpose building material. The structure of light aggregate concrete has a light weight, its temperature insulation and earthquake-resistance properties are good, and it is strongly adaptable to construction. It is suitable for building assembly type or on-site pouring concrete structures and other structured objects. Our nation began to experiment, study, and use light aggregates in 1956. Now, the following are widely used: pulverized coal ash ceramsite, shale ceramsite, clay ceramsite, furnace slag, pumice, cinder, and waste coal rock. According to surveys, since our nation completed the first test project using light aggregate concrete to assemble large panels in 1958, each region has used light aggregate concrete for large panels and masonry blocks covering a total area of more than 5 million square meters, the area of such [concrete] used for load-bearing structures has reached more than 2 million square meters, and the volume of such [concrete] for building bridges or other industrial structures has reached about 300,000 cubic meters.

Although there is a 20-year history of using light aggregate concrete structures in our nation, regulations concerning structural design have not yet been drawn up. In the past, design calculations for light aggregate concrete structures basically used existing common concrete structural design standards, or they were based on scattered experimental data of some localities and some regional regulations. Although these regulations have served to promote the development of light aggregate concrete, the expansion of the scope of application of light aggregate concrete was limited by the lack of systematic design regulations.

Because there are many varieties of light aggregates, each type of light aggregate concrete has its own characteristics. Appropriate consideration must be given to them in calculating structures and components. To implement the nation's technical and economic policies, we linked our efforts closely with our nation's natural conditions and rationally utilized light aggregate resources. Designs were technically advanced, the economic characteristics were rational, and the light aggregates were safe and suitable for use. We guaranteed quality, summarized our nation's experience in engineering practice and scientific research achievements, absorbed related foreign experience, and followed the principle of establishing one regulation when it becomes mature, and we proposed this set of regulations to satisfy the urgent need at present to popularize and apply steel-member reinforced light aggregate concrete structures.

These regulations are divided into 170 articles and 7 appendices. They are suitable for designing industrial and civilian houses and general structures of light aggregate concrete, steel-reinforced light aggregate concrete and load-bearing structures of prestressed light aggregate concrete. The trial designs for four different types of structural types of typical industrial and civilian engineering projects by the Northeast Architectural Design Institute, the Tianjin City Architectural Design Institute, the Xian City Architectural Design Institute, and the Harbin City Architectural Design Institute show that it is feasible to make designs according to these regulations. Compared to ordinary concrete, the weight can generally be reduced 8 to 12 percent, the earthquake force can be reduced by 17 to 26 percent in scale, some 8 to 12 percent of steel materials can be conserved, and the amount of cement used increases by about 5 to 8 percent. But because of a lack of relatively systematic experimental research, these regulations do not include various regulations concerning the calculation of redistribution of internal forces of plasticity for designing structural components bearing redundant loads and ultrastationary structures.

9296

CSO: 4006/358

GENERAL

RATIONAL DISTRIBUTION OF PRODUCTIVE FORCES ANALYZED

Changchun DILI KEXUE [SCIENTICA GEOGRAPHICA SINICA] in Chinese Vol 3,
No 1, Mar 83 pp 11-15

[Article by Huang Rongsheng [7806 2837 3932], Economics Institute, Chinese Academy of Social Sciences: "Unbalanced Economic Development and Rational Distribution of Productive Forces"]

[Excerpts] The regional distribution of China's productive forces before the founding of the nation was extremely irrational: 77 percent of the industries were concentrated in less than 12 percent of China's land area along the eastern coastal regions, with heavy industry mainly in the Northeast and light industry mainly in Shanghai, Tianjin and Guangzhou, a mere handful of cities. The vast inland, especially the minority regions along the borders, had hardly any modern industry to speak of. The industrial output value of the Northwest and the Nei Monggol region, which constitute 45 percent of China's land area, was only 3 percent of the national total, and that of Yunnan, Guizhou and Sichuan and the Xizang region, which constitute 23 percent of China's land area, only 6 percent. Such distribution caused, on the one hand, the serious dislocation of industry from the raw material and fuel producing bases and from the consumption areas and the necessity for the long-distance shipping of raw material, fuel and finished products and, on the other hand, the failure to fully exploit and utilize the rich resources of the vast interior, resulting in the protracted stagnation of economic development and hampering the building and consolidation of the strategic rear bases.

In the 30 plus years since liberation, the state placed more than half of the capital construction investments in the interior, accelerated the economic development of the inland and some minority regions and preliminarily changed the abnormal, backward and unbalanced distribution of the industries of the old China. According to the statistics of quarters concerned, in the 20 plus years from 1952 to 1978, the average growth rate of the annual industrial output value throughout the nation was 10.5 percent, with 9.9 percent for the coast and 11.6 percent for inland. The proportion of the industrial output value of inland and border regions

among the total rose from 29.2 percent in 1952 to 36.7 percent in 1978, and the proportions of the output of such major products as iron and steel, coal, power, metals, cutting machine tools, cement, cotton yarn and machine-made paper rose severally from the former 8 to 30 percent to around 36 to 60 percent. In the vast inland and minority regions where there was hardly any industry to speak of, we have built a group of new industrial bases, each with its special characteristics. With 54 percent of the national population and 85 percent of the land area, China's interior is rich in all kinds of minerals and agricultural, forest and livestock resources. Actively building new inland industrial bases will benefit the exploitation and utilization of the abundant natural and labor resources, bring industry closer to raw material and fuel producing bases and consumption areas, promote the economic construction of outlying and minority regions, and strengthen and consolidate the strategic rear, while also furnishing large amounts of energy and mineral raw material of all kinds to the coast for industrial development.

Even so, a serious gap exists between the coast and the interior in their economy. According to the 1981 statistical computations, if the average industrial output value per capita of Shanghai is 100 percent, then the inland Yunnan, Guizhou and Sichuan is 3 to 4.6 percent, Shaanxi, Gansu, Ningxia, Qinghai and Xinjiang 4.5 to 7.9 percent, Hubei, Hunan and Jiangsi 5.3 to 8.8 percent, Nei Monggol and Shanxi 5.3 to 8.1 percent, and Jilin and Heilongjiang 10.9 to 12.1 percent. There is also a wide gap in the profit tax rates on capital between the new & old industrial areas. In 1980, most of the nine provinces (municipalities) with a rate above 25 percent were located in the eastern region, most of the 12 provinces (regions) with a rate between 15 and 25 percent in the central region, and most of the eight provinces (regions) with a rate below 15 percent in the western region. The terraced drop of the capital profit tax rates from the east to the west roughly corresponds to the regional differences in China's industries and the existing economic bases and degrees of development. When we vigorously develop inland industries, we must, at the same time, fully utilize and rationally develop coastal industries, because, compared with building in undeveloped inland areas or areas which have a weak industrial foundation, it will result in saving investment, shortening the construction period and producing quick effect, while also bringing into play the "base" role of the coastal industries in rendering support to inland industries. In an interval of 29 years from 1952 to 1980, Liaoning province, for instance, shipped altogether 28 million ton of pig iron, 40 million ton of rolled steel, 100,000 plus units of machine tools and over 50 percent of its output in rolled steel, aluminum, lead, zinc, soda ash, transformers and machine tools, thereby supporting the construction of the whole country, especially the interior. Shanghai annually ships out more than 12 billion yuan of light industrial consumer goods, constituting 45 percent of the shipping volume of identical products in the whole country. It has provided several hundred thousand skilled personnel to other parts of the country and trained more than 100,000 young workers for them, supporting inland construction in funds, resources and skilled personnel.

In the past 30 plus years, we have, in handling the relations between the coast and the interior in the distribution of productive forces, made successes and learned lessons. The policy of building new inland bases in a planned manner must be upheld, but the scale should not be too large, nor the pace too fast. If the amount of national capital construction investments was 100 percent, the proportion for the interior was 53.3 percent during the First Five-Year Plan, 55.9 percent during the Second Five-Year Plan, 59.5 percent during the three-year readjustment, 68.4 percent during the Third Five-Year Plan, and 57.6 percent during the Fourth Five-Year Plan. If the inland construction scale is too large, it will inevitably deprive the old coastal industrial bases of the material resources and manpower needed for expanded reproduction and affect their full utilization and rational development. Consequently, the equipment, material and funds needed for the construction of new inland industrial bases will have no full guarantee of availability. As demonstrated by the practice of China's socialist production, changing the abnormal and irrational distribution of our industries left by the old China requires a long historical course, not to be accomplished within a short space of time. The "balanced distribution of large industries throughout the country as far as possible" mentioned by Engels can only be achieved on a strong material foundation when the social productive forces are relatively developed. The degree of realizing a nationwide balanced distribution of productive forces in the various regions is determined by the economic developmental level of the state in different periods. It will be unrealistic to hasten the spread of industries in the interior, open new bases, launch new projects and one-sidedly pursue the balanced distribution of productive forces in disregard of China's concrete economic conditions.

When determining the strategic distribution of productive forces among the regions, we must give attention to the regional strong points, fully and effectively utilize the various productive factors and organically integrate them. The distribution of the various productive factors among the regions is not balanced. The natural resources in the undeveloped regions in the west, for instance, are relatively abundant, while technological facilities and management experiences of the developed regions in the east are relatively good. Meanwhile, the compositional proportions of the productive factors (e.g., natural resources, existing economic bases, manpower, technical equipment, and communication and transportation) of different regions also vary. To achieve the rational regional distribution of productive forces, we must start from the specific characteristics of the various regions and carry out overall studies and comprehensive analyses of the elements affecting the distribution, clarifying the favorable and unfavorable conditions and realizing the best combination of the various elements.

Natural resources play an important role in the regional distribution of productive forces. The development of the regional economic strong points and the types of regional economic composition are subject to the influence of the resource conditions to a fairly large extent. Among the

natural resources, one category consists of mineral resources which are not regenerable. Their distribution is restricted by the mineralizing conditions, and the degree of their spatial concentration leads to their unbalanced regional distribution. Take the following instances: Southern Liaoning, eastern Hebei and western Sichuan have 50 percent of China's iron reserve, while the Northwest and South China have very little; the three Southwestern provinces, Hunan and Hubei have 90 percent of its phosphorus reserve, while North China and the Northeast have very little; Shanxi, Henan, Guizhou and Guangxi have 90 percent of its bauxite reserve; Hunan, Jiangxi, Guangdong, Guangxi and Yunnan have most of its tungsten and tin reserves, while north of the Changjiang River has very little; Qinghai has 90 percent of its sylvite reserve; Sichuan, Shaanxi and Qinghai have more than 80 percent of its asbestos reserve. In exploiting and utilizing mineral resources, we must select the best spatial spots in order to conserve social labor.

China's coal reserves are mainly concentrated in the north, roughly divided by the line between Qinling and Dabie mountains. The reserve north of the dividing line constitutes 87 percent or more of the national total, mainly in Shanxi and Nei Monggol and next in Ningxia, Shaanxi, Henan, Hebei, Liang-Huai [region between Huanghe and Changjiang Rivers in Anhui and Jiangsu [Matthews]] and Shandong. The Sichuan-Yunnan-Guizhou border region has approximately 10 percent of the national total, making it yet another area with a concentrated coal reserve. The coal seams in the nine provinces south of the Changjiang River are unstable and the amount of reserve not large, yet the fairly developed industry and agriculture of the region consume much energy and suffer from coal shortage. The eastern region suffers the greatest shortage of coal in China, and the worst areas in the region are the Shanghai-Ningbo-Zhejiang area with Shanghai as the center, the Liaoning area with Shenyang as the center, the Hubei area with Wuhan as the center, and the Guangdong area with Guangzhou as the center. Thus forms the situation of regional unbalance in the production and consumption of energy and the long-standing phenomenon of moving coal from the north to the south and from the west to the east.

The other category of natural resources is regenerable, and their exploitation and utilization must be combined with fosterage and protection, in order to maintain the ecological balance of nature. China's territory is vast and its natural conditions complex and diverse, with marked regional variations. For this reason, the regional distribution of regenerable resources is also unbalanced. China's forestry, for instance, is rather scarce, and the proportion of forestry coverage is almost 50 percent less than the world average. Furthermore, forestry is mainly concentrated in the Northeast and the Southwest, and the forest coverage in North China and the Northwest is only a few percent. China has 4.3 billion mu of grassland, mainly found in the Northeast, North China and the Northwest, but very scarce in the southeastern half of the country. When planning the agricultural layout, we must make comprehensive analyses and assessments of the natural agricultural resources of the regions and, in line with the ecological suitability and regional differences of the

natural conditions, select the best areas for agriculture, forestry, livestock, sidelines and fishery.

Before exploitation and utilization, the superiority of natural resources is a latent one, providing only the material basis and potential for development. To turn the potential into reality, there must be a certain economic base and technological conditions. The existing economic bases of the various regions are different and there are wide gaps in the results of investment. In regard to the combined investment in productive forces for each ton of steel, for instance, when it is 1,000 yuan in the old coastal industrial areas, it is close to 3,000 yuan inland. Therefore, when utilizing the existing economic base and developing the superiority of regional economy, we must start from the practical conditions of the various areas and rationally lay out the productive forces, instead of following any one mold. The rational utilization of natural resources must be combined with a certain level of production technology and management. The different effects of science and technology on production development in different countries and regions determine, to a large extent, the imbalance in their economic development. We must make economic comparisons and assess the technological conditions and measures in the production development of different areas and comprehensively evaluate the combined economic results. The industrial base, scientific and technological strengths and management level of such large eastern cities as Shanghai and Tianjin markedly excel those of the undeveloped western areas. Therefore, we should properly launch technological exchanges and economic cooperation among the regions and transplant, in line with local conditions, the advanced technological and management experiences of the developed areas to the undeveloped ones, thereby promoting the production development of the latter and enhancing the self-sufficiency rate of market products. Meanwhile, the developed areas must pursue the upgrading and replacement of products, vigorously promote export commodities and strive to reach the peak.

China is a country with extremely abundant human resources, but their regional distribution is also very unbalanced. About 90 percent or more of our population are concentrated in regions east of the line between Daxingling and Tengchong, while the vast western region, covering half of the national territory, has only about 10 percent. The per capita farmland in the east is much smaller than in the west, and the potential of arable land in the west awaiting exploitation is fairly large. The regional deployment of population and labor force usually follows the deployment of production. With the increase in productive activities, such as reclamation of wasteland, exploitation of energy and mineral resources, construction of new production bases and opening of communication trunk lines, population and labor force are moved into those areas, and the concentration of population in an area also creates favorable conditions for the development of its production. As the living conditions in areas with a high level of productive forces are relatively affluent, population and labor force will always congregate there. On the other hand, as it is easier to make a living in outlying areas with a low level of productive forces, people tend to move from densely populated areas to sparsely

populated areas. Such contradictory tendencies determine the flow and distribution of population and labor force among regions. Generally speaking, the flow of population and labor force among regions has the following characteristics: (1) Population and labor force both flow from populous areas to sparsely populated areas. (2) With the growth of population and the continuous exploitation and utilization of land, they gradually shift from the fertile and level areas to the barren, dry and hilly areas. (3) With the development of urban industry and commerce, rural population and labor force gradually congregate in the cities, and the tendency of urbanization continuously increases.*

In region and orientation, the layout of transportation networks must adapt to the layout of industrial and agricultural production and, at the same time, benefit the exploitation of new resources, the development of the economy of backward areas and the expansion of the range of supply of raw material and fuel and of the market for products. In building industrial bases, communication and transportation should develop in advance. Marx clearly pointed out that transportation is the "forerunner of industry." It will promote not only the development of regional economy, but also a more balanced layout of productive forces. Take the following instances: The Bao-Cheng [Baoji-Chengdu], Cheng-Yu [Chengdu-Chongqing], Gui-Kun [Guiyang-Kunming], Chuan-Gui [Sichuan-Guizhou] and Xiang-Qian [Hunan-Guizhou] railway lines, built to develop Yunnan, Guizhou and Sichuan, and the Bao-Lan [Baotou-Lanzhou], Lan-Xin [Lanzhou-Xinjiang] and Lan-Qing [Lanzhou-Qinghai] railway lines, built to develop Xinjiang, Qinghai and Gansu, created the prerequisites for developing large-scale economic construction and consolidating national defense in China's western regions and ensured the shift of the focal point of industrial construction toward the interior. To change the irrational transportation layout left by the old China, it was entirely necessary to build numerous inland trunk lines during the First and Second Five-Year Plans. Nevertheless, in the Third and Fourth Five-Year Plan periods, we overemphasized the building of inland transportation and overlooked the coastal areas, and we gave too much attention to new construction and disregarded remodeling. In 1965, for instance, more than 50 percent of the total investment in railways were concentrated in the Southwest; between 1970 and 1975, 80 percent of the investment in new railways were again concentrated west of the Jing-Guang [Beijing-Guangzhou] line, and basically no new trunk line was built east of it. Consequently, certain lines west of the Jing-Guang line, such as Xiang-Yu [Xiangfan-Chongqing] and Yang-An [Yangpingguan-Ankang] railways, due to insufficient transport tasks, were not fully utilized. On the other hand, the transport capacity east of the Jing-Guang line failed to meet the need, causing the stagnation of commodity flow. Therefore, strengthening the railway transport networks in the coastal region is an urgent task.

* Sun Jingzhi [1327 2417 0037], "Economic Is the Core in Our Study of Demography," RENKOU YU JINGJI [POPULATION AND ECONOMICS], No 1, 1981.

The regional distribution of productive forces is not only influenced by the various intraregional factors, but also determined by the combination of extraregional conditions and the factors of moving in and moving out. Therefore, the proper regional distribution of productive forces requires the comprehensive consideration of the various internal and external conditions. For this reason, there is the necessity to investigate and study the economic connections of the regions with their adjacent neighbors and their division of labor in technological cooperation. When considering the regional distribution of production construction projects, we must make economic comparisons among the regions according to their different characteristics and choose the best programs. When studying the production conditions, we must consider not only the particular region, but also the potential of rendering support to other regions and the changes in furnishing extraregional supplies; not only the consumption of the particular region, but also the need composition of other regions and the inflow and outflow of major products among them. In terms of the regional imbalance in the distribution of productive forces, only by means of coordination and cooperation among regions, supplying one another's needs and adjusting the surpluses and shortages, will we organically integrate the various separate regional factors, thereby achieving the rational regional distribution of productive forces.

6080

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CHINA'S ECONOMIC DEVELOPMENT STRATEGY EXAMINED

Hong Kong WEN WEI PO in Chinese 20 Apr 83 p 21

[Article by Chi Ch'ung-wei [1323 1504 1218]: "An Overview of China's Socioeconomic Developmental Strategy"]

[Text] Attending the discussions at Beijing's South South meeting I was enlightened by the many valuable opinions expressed by the delegates of the various nations on the kind of socioeconomic strategy to choose for China's development. Indeed, in terms of any country, the developmental strategy involves a momentous decision on the future of the state and requires conscientious and careful consideration. However, I feel that the correct strategy cannot be formed right at the beginning; it can only emerge after a long groping in practice and after assimilating the lessons of failures and setbacks. The socioeconomic developmental strategy followed by China today has been gradually formed after walking 30 years of winding paths. I now wish to discuss briefly below the transformative course of China's new developmental strategy and its guiding ideologies.

Reasons for Economic Dislocation

After the end of the 10-year civil strife (the Great Cultural Revolution) in 1976, China's economy was on the verge of collapse. The proportions of the national economy were dislocated and numerous cumulative problems in the people's living urgently required solution. At the time, it should have been rehabilitation and readjustment. But due to the ideological mistakes of the leaders, a gigantic modernization plan, severed from reality, was proposed in 1977 and 1978, calling for 6 million ton of steel by 1985 and importing whole sets of equipment, at a cost of \$7.8 billion, for construction projects, far exceeding the capacity of the national strength. The consequences were enormous fiscal deficits, gigantic adverse balances in foreign exchange, currency inflation and rising prices, causing serious new difficulties in the economy. At the end of 1978, the CPC held the 3d Plenary Session of its 11th Central Committee and summarized the experiential lessons of the 30 years since the

founding of the nation. It found that China, in its impatience, followed the erroneous "leftwing" line in economic work for a long period of time, failed to observe the objective economic laws, one-sidedly pursued developmental speed and overlooked economic results, gave priority to heavy industry and disregarded agriculture and light industry, stressed the building of new plants and ignored the role of existing industries, relied on cutting down the people's consumption and maintained an excessive accumulation rate. Dislocations occurred between consumption and accumulation and between agriculture, heavy industry and light industry. Thus, while on the surface the speed of industrial and agricultural growths was relatively high, not much public wealth was created. Much waste was committed and the people received little substantial benefit. In another aspect, such evils in the economic management system as the excessively rigid control and the overconcentration of power above and egalitarianism and "large-pot rice" below fettered the enthusiasm of the enterprises and workers, and the economy lost its vitality and resilience. Focusing on these problems, the party and the government proposed the policy of readjustment, restructuring, reorganization and upgrading and defined the guiding ideologies for modernization.

Five Guiding Ideologies

1. China must start from its actual national conditions. China is a large country of 1 billion population, with 800 million peasants. Its population is enormous, its foundation weak, its economic base inferior and the people's living standard low. Therefore, the scale and speed of construction must not exceed the national strength. In spite of the impatience for success, it can only act according to its capabilities and advance gradually in proper order.
2. The basic goal in the building of socialism must be the continuous satisfaction of the people's growing material and cultural needs and the improvement of their living standard. "One, we must eat; two, we must build" is the basic principle guiding economic work. Instead of blindly pursuing high norms and high speed in its planning, China must consider improving the economic results the prerequisite. Instead of stressing excessively the development of certain branches (e.g., heavy industry, iron and steel, etc.), it must carry out balanced overall development in proper proportions. The foundation of the national economy, agriculture should be properly handled first. Relying on correct policies and scientific and technological progresses, and under the premise of ensuring increases in grain output, it should comprehensively develop industrial crops and diversification, including forestry, livestock, fishery and sidelines. Next, it must give priority to the production of light industrial consumer goods and properly arrange the people's living. The composition of heavy industry must shift to service to agriculture and light industry. As energy and communication are the weak links in the national economy, China must concentrate forces to stress their construction. In the near future, it must vigorously complete the work on energy conservation and on the rational organization of transportation.

To safeguard the people's living standard, China must enforce birth control, strictly curb population growth, and restrict its annual natural growth rate below 1.3 percent. The total national population (excluding Taiwan province) must be contained at around 1.06 billion for 1985 and at below 1.2 billion by the end of the century.

3. A rational proportion must be maintained between consumption and accumulation. The scale of investment in fixed assets must be strictly controlled, capital construction drastically cut down and the accumulation rate reduced to under 30 percent of the national income. China must carry out a comprehensive reorganization of existing industries, improve enterprise operation and management, launch technological transformation in a planned way and step by step, enhance the enterprise management and technological levels and vigorously enhance the economic results.

4. China must carry out a comprehensive, systematic, firm and orderly reform of the economic management system. The reform must be integrated with readjustment, coordinating with and promoting it. The basic orientation of reform is: With the state economy as the leading factor, actively developing all forms of cooperative economy and appropriately developing the individual economy of the laborers. Under the premise of upholding the socialist planned economy, the auxiliary role of market regulation must be brought into play. When formulating plans, the state must give full consideration to the law of value, use pricing, taxation and trust loans as economic leverages, grant policy making powers of different degrees to enterprises of different types in their economic activities and enlarge the democratic rights of the workers to manage the industry. In regard to momentous and major economic activities (e.g., the scale and orientation of investments, important large construction projects, increase in consumer funds, etc.), the state must exercise strict control according to plans; the minor and secondary parts of the microeconomy, such as the production and circulation of small commodities, must be liberalized. The centralized and unified leadership according to state planning must be integrated with enterprise initiative and flexibility.

5. On the basis of self-reliance, the isolationism of the past must give way to the open door policy, expanding the economic and technological exchanges and cooperative relations with the nations of the world and actively introducing their advanced and applicable technology. Under the principle of equality and mutual benefit, manifold forms, actual results and common development, China must vigorously expand trade and economic and technological cooperation with the developing nations. It must actively and prudently utilize foreign capital for construction. Besides remedying China's shortage of funds, what is even more important in utilizing foreign capital is to introduce advanced technology and operation and management experiences to transform China's existing industries and exploit its resources. By means of manifold sources, channels and patterns, including loans, direct investment, cooperative exploitation, cooperative operation, cooperative production, compensatory trade, etc., China is in the course of recruiting the capital and technology of the

various nations. It must give special attention to feasibility studies and early-stage preparatory work on the projects, so that it will be able to digest and utilize the foreign capital and advanced technology acquired by it, obtain relatively good economic results and ensure its ability of repayment. In view of the lessons of the developing countries which borrowed excessively and sank into a quagmire of debts, China must strictly control the total amount of foreign capital within a given period and maintain a relatively low repayment rate.

Balance in Foreign Trade

In foreign trade, China must strive to develop export, appropriately control import, and rationalize the composition of import and export to benefit the development of the national economy. It is permissible for import to exceed export within a certain period of time, but in terms of the long range, it should maintain balance in international income and expenditure.

While building a material civilization, China must strive to build a high degree of socialist spiritual civilization, teach all the people, especially the young, to be idealistic, ethical and cultured and to obey discipline, spread the five-stress (civilization, courtesy, sanitation, order and ethics) and four-beauty (beauty of soul, language, conduct and environment) movements, guard against the pollution of the decadent Western bourgeois ideology and achieve the basic improvement of the social mores.

Achievements in Readjustment

In the past 3 years, the whole country, from the top to the bottom, has gradually unified understanding, thereby creating a stable and united political situation and strengthening democracy and the legal system. It has, in line with the guiding ideologies, implemented the policy of readjustment, restructuring, reorganization and upgrading and produced good results. The economic situation has improved year after year. In 1982, the total industrial and agricultural output value was 7.3 percent higher than 1981, grain and cotton output created records in history, market supply was ample and commodity price stable, and fiscal revenue basically balanced. Beginning in 1981, import and export trade reversed from an unfavorable balance to favorable. In 1982, China not only repaid the short-term foreign loans borrowed in the past few years, but also increased its foreign exchange reserve. In 4 years, it gave employment to over 20 million jobless youths. Urban and rural income increased, and living standard made a marked improvement. One may say that the best economic situation since the founding of the nation has emerged. This is the third year of China's Sixth Five-Year Plan. It will continue to progress steadily along the set direction, strive to enhance the economic results, strictly control the scale of investment, ensure the steady growth of light industry and maintain the prosperity of the market and the stability of commodity prices. It is predicted that the Sixth Five-Year Plan will be completed above norm in 1985. In the second half of

the eighties, China will complete the overall reform of the management system, properly carry out the key constructions, and make preparations in organization, material and personnel for the economic prosperity and rapid development of the nineties. China is confident that it will, within this century, reach the magnificent goal of realizing the modernization of industry, agriculture, science and national defense and the quadrupling of the total industrial and agricultural output value.

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HONG KONG MEDIA ON CHINA

HUBEI HOLDS CONFERENCE TO PROMOTE FOREIGN INVESTMENT

Hong Kong WEN WEI PO in Chinese 3 May 83 p 2

[Article by staff reporter Cheng Hsiang [4453 5046]: "Wuhan Investment Conference Has New Plans on Foreign Exchange Guarantee and Marketing Products Abroad"]

[Text] The international economic and technological exchange conference of Hubei province opened in Wuhan on 30 April. It is yet another investment conference sponsored by the government following that of Guangzhou last June, except that the latter was sponsored by the central government while the present one by Hubei province. Prior to this conference, Shanghai held a meeting in the name of the investment trust corporation. After this conference, Zhejiang province will also hold a meeting in the name of the investment trust corporation. If the attempt, by means of investment conferences, to urge foreign firms to come to China and launch economic and technological cooperation is successful, very likely other provinces and municipalities will follow suit. Particularly in the case of Hubei, an inland province, its success will furnish a great incentive to other inland provinces.

The reporter of this paper interviewed the responsible persons of the meeting for an appraisal of the conference. They all expressed full confidence, for the following reasons:

Guarantee of Domestic Conditions

First, domestic conditions are guaranteed. According to Zeng Zhaosen [2582 2507 2773], a responsible person of the conference, for foreign economic and technological cooperation in the past, there was often no guarantee of domestic conditions. Primarily, the projects in question were not included in the plans; therefore, auxiliary facilities in all aspects were incomplete. Next, the authority of local governments was limited. When a local government succeeded in reaching an agreement, many departments in the central government had the power to withhold approval. Thus, it was difficult to truly launch foreign cooperation.

The present conference is different. Primarily, the projects presented this time are all included in the state and provincial economic development plans. Hubei tentatively plans to import technology and equipment, at a total cost of \$150 million foreign exchange, in the last 3 years of the Sixth Five-Year Plan to transform 300 key industries, and the projects presented at the conference have been selected among them. As they are included in the economic plans, the necessary fuel, raw and processed materials, communication facilities, plant buildings and funds for domestic setups are basically assured. For over 90 percent of the projects, the goal of the technological transformation is to increase the competitive capacity by means of improving the depth of processing, enhancing the quality of products and lowering the cost on the existing foundation, which are compatible with requirements of the state economic plans. Therefore, once an agreement is reached, a contract can be signed, and construction can be completed and operation started within a relatively short time. Next, as the central government has decided to further liberalize its policies, local authority is enlarged, especially in connection with the import of machine equipment. According to the current provisions, so long as the projects are approved by the local governments, the import of the necessary equipment is automatically approved. Viewed in these two aspects, domestic conditions for foreign economic cooperation have much improved from before.

Marketing of Scarce Commodities Abroad

Second, a decision was made to solve the issue of marketing abroad. In spite of the great achievements in the open door policy after the Third Plenary Session, progress has not been as rapid as envisaged. Among the many reasons, one of them is the requirement to market the products abroad. Of course, in terms of certain products in the nature of resources, or in the nature of scarce commodities in the international market, their marketing abroad is no problem. But when it comes to most of the commodities, their foreign marketing becomes an obstacle. The central government recently decided to solve the problem, and the present conference embodies its decision. According to Zeng Zhaosen, we will naturally concur when the foreign firms wish to market any product abroad, and we will encourage greater exports to create foreign exchange, but we do not insist on foreign marketing to balance our foreign exchange on all projects. He said that Hubei province plans to adopt methods of all kinds of solve the issue, including combined compensation, import substitute, foreign exchange transaction, renting, bank loan, etc. As a whole, the Hubei government will exercise centralized control over foreign exchange, in order to solve the issue of foreign marketing.

To solve the issue of foreign marketing, the key is whether there is the backing of sufficient foreign exchange. Zeng Zhaosen indicated that foreign firms may set their minds at ease on this point. Hubei province has an annual retention of tens of millions foreign exchange in U.S. dollars, and the Bank of China will also provide a certain amount of foreign

exchange loans. The two sources together are ample guarantee for the foreign exchange needed by the province for its long-term industrial transformation.

The issue of foreign marketing also involves the patterns of cooperation. Hubei's determination to solve the issue by means of its own foreign exchange makes the patterns of foreign cooperation more flexible. According to Zeng Zhaosen, as long as both sides agree, any pattern may be followed, such as joint venture, cooperative operation, compensatory trade, incoming material processing, incoming parts assembling, leasing, or even foreign exchange transaction, and one enterprise may follow more than one pattern of cooperation.

Full Advance Preparation

Third, fairly good preparations were made. In sponsoring the conference, besides referring to its own experiences since opening to the outside, Hubei province also learned from the Guangzhou investment and Shanghai investment trust corporation conferences. Therefore, its preparatory work for the conference was relatively solid. According to Zeng Zhaosen, they focused on the following tasks in the past 6 months: (1) They organized a strong team with a fairly unified ideological understanding. Headed by standing vice governor Tian Ying [3944 5391], the team included the main responsible persons of the provincial planning, economic, and import and export commissions. In coordination, the three commissions promptly affirmed the foreign cooperative projects to be presented at the conference, thereby avoiding future wrangling. (2) A group of personnel was mobilized and trained. First they held last year a provincewide import and export meeting, comprehensively summarized the experiences of foreign cooperation since opening to the outside, and, by means of typical instances, encouraged everyone to actively utilize foreign capital. Thereafter, they trained more than 500 negotiating personnel for the conference. (3) They vigorously performed the early-stage preparatory work for each project, thereby ensuring the presence of all conditions. (4) Broadening the field of vision to encompass the world, they sent four delegations to Europe, America, Japan, and Hong Kong and Macao to publicize the conference and recruited a group of important foreign customers. Reportedly, those which have arrived or which have indicated their intention to participate include the West German (Ximenzi Corporation), the British (Jishideya International Limited Corporation), the Dutch (Sanbaojia Hong Kong Corporation, Limited), the French (Neiman Corporation), the Italian (Fiat Group), the Japanese (Tokyo Industrial Products Stock Company, Shengshi, Matsushita Electric Corporation and Rimian Industrial Corporation), the American (General Electric Corporation and Aisaikesi Group), etc.

With the guarantee of domestic conditions, the anticipated solution of the foreign marketing issue and the adequate preparatory work, Hubei province has full confidence in the conference.

Four Favorable Factors

Chairman Sun Yiran [1327 1355 3544] of the Hubei provincial import and export commission assessed the potential of the conference from a wide angle view. He listed four factors:

1. China's regulations on foreign economics are becoming ever more perfected, and foreign firms coming to China to pursue economic and technological cooperation will be protected by law. Consistently implementing the principle of equality and mutual benefit, Hubei province upholds the proper rights and legitimate profit of both sides and guarantees the full self-governing power of the joint capital and cooperative enterprises.
2. Hubei has the advantages of abundant resources, convenient communication, a full complement of various kinds of industries, large plant buildings, good facilities and great potentials for development. With the high percentage of marketable products among its numerous farm crops, it can provide raw and processed materials for many types of light, textile, chemical and pharmaceutical industries.
3. With the introduction of the "three-open" policy (opening the Wuhan and Huangshi harbors; opening the port of Wuhan directly to the outside world; reopening the Wuhan customs) after the Third Plenary Session, Hubei's foreign trade has grown rapidly. Its 1982 export was \$360 million, more than double that of 1978. In 4 plus years, the province utilized close to \$40 million foreign capital, equivalent to more than six times the total foreign exchange used in the 6 years prior to the Third Plenary Session. All these indicate the great potentials for foreign cooperation. With the rapid development of foreign economic and trade activities, the Qingchuan and Yangzijiang steamship companies established by the government sail directly to Japan and Hong Kong, thereby solving the difficulties in foreign trade shipping and laying the foundation for foreign cooperation.
4. After the government organizational reform, work efficiency is gradually improving. The enterprise reorganization has also preliminarily smashed the abuse of "large-pot rice." With the employment of youthful and professional cadres, a backbone force capable of handling foreign cooperation has gradually formed. Leading cadres familiar with the subjects and able to make decisions and professional personnel conversant with technology, management and finance, for instance, are assigned to all the foreign cooperation projects presented at the conference.

Currently, provincial personnel responsible for the projects are actively carrying out discussions with the foreign firms. They all hope that the conference will bear rich fruits, thereby strengthening and accelerating the economic development of the province and propelling other provinces to consciously implement the open door policy and actively recruit foreign capital.

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FOREIGN INVESTMENTS IN FUJIAN PROFITABLE

Hong Kong WEN WEI PO in Chinese 30 Apr 83 p 3

[Article: "Foreign Investments in Fujian Total Over \$100 Million; Large Profits Are Reaped"]

[Text] It is reported that, after Fujian introduced special policies and flexible measures, foreign investments in plants and enterprises totaled until recently more than \$130 million, and most of the investors reaped a profit and reinvested to expand production. The profit made by some of them exceeded their investment.

Foreign investments in Fujian are mostly in incoming material processing, compensatory trade, joint venture, cooperative operation and sole ownership of plants. Today, there are 13 Chinese-foreign joint ventures in Fujian, including the Furi television limited company, one of the early joint ventures. The company recently started exporting to Hong Kong and Panama. With its profit, Japan again increased its capital.

There are 35 cooperative enterprises jointly operated by Fujian and foreign firms. The foreign firms have all made a profit on their investments of more than \$20 million. The profit earned by the foreign stockholder in the 2 1/2 years since the start of the Quanzhou artificial flower plant in 1980 was 36 percent of its investment; the profit earned by the foreign firm in the 6 months since the Quanzhou freight transport company began business was one-third of its capital; in the 25 months since the Quanzhou color photography company started business, the profit earned by the foreign firm surpassed its total investment.

Fujian also follows the pattern of compensatory trade to cooperate with foreign firms. The province has more than 100 such undertakings, and one-third of them are located in Longqi prefecture. The foreign firms have recouped their capital one after another. In incoming material processing, the province has over 3,200 undertakings, with half of them located in Jinjiang prefecture.

Recently, Fujian decided to further liberalize its policies, give foreign firms even better terms than Guangdong and permit sole proprietorship. Hearing the news, many foreign firms inquired about matters concerning investing in plants.